AGENDA ITEM #8
May 14, 2008

MEMORANDUM

May 12, 2008

TO: County Council

FROM: Stephen B. Farber, Council Staff Director SBF

SUBJECT: **Action** – FY09 Compensation and Benefits for All Agencies

This memo outlines the May 9 recommendations from the Management and Fiscal Policy Committee on FY09 compensation and benefits for all agencies. For ease of reference, the packet from the April 21 Committee worksession has been reprinted to accompany this packet.[1]

1. FY09 Group Insurance (see pages 12-14 of the April 21 packet)

The Committee received an update on its extensive work on the group insurance issues outlined on pages 12-14. Two cost issues required particular attention: **pre-funding retiree health benefits for all agencies** and **prescription drug costs for County Government retirees.**

Pre-funding Retiree Health Benefits for All Agencies

Last year the Council approved a five-year phase-in schedule to pre-fund retiree health benefits, pursuant to GASB Statement 45 on Other Post Employment Benefits (OPEB). This year the Executive recommended an eight-year schedule instead. For the tax-supported agencies combined, this change would reduce FY09 costs from $70.7 million to $55.2 million.

For the most recent data on this issue, see my April 28 memo and attachments on ©A-9. See also the May 6 memo on ©10-15 from the Council's actuarial consultant, Thomas Lowman. Mr. Lowman makes a number of recommendations on this important issue. His methodology on the discount rate used to assess the cost of the eight-year phase-in results in annual contributions that differ from the Executive's. The FY09 contribution, using the discount rate he supports, is $40.6 million rather than $55.2 million. See the table on ©15.[2]

> **<u>Committee recommendation (3-0):</u> Approve an eight-year phase-in to pre-fund retiree health benefits. Also approve a $40.6 million contribution in FY09 for the tax-supported agencies combined, as recommended by the Council's actuarial adviser, Thomas Lowman. Follow up after budget on his other recommendations on how the Council should address the OPEB issue for the longer term.**

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[1] The pay increase tables on page 8 and ©83 of the April 21 packet have corrected numbers for the College.

[2] For County Government's General Fund, the difference is estimated at $3.2 million. This reduces the total tax-supported contribution for all agencies to $40.5 million and the total tax-supported difference from the Executive's amount to $14.5 million.

Prescription Drug Costs for County Government Retirees

On April 21 the Committee requested additional information on the changes to the prescription drug plan negotiated with the three unions and the plan to pass these changes through to retirees as well as non-represented employees. See OHR Director Adler's May 1 memo on ©16-24. See also the letter from MCREA President Suzanne Hudson on ©25.

As Ms. Hudson and other retirees point out, the full or partial inflation adjustments that retirees in the defined benefit pension plan receive each year are considerably smaller than the pay increases bargained for active employees. Moreover, for retirees in the Caremark High Option plan, and for some cohorts in particular, the increased cost of the change is significant. On the other hand, as Mr. Adler points out, the County's pooling of active and retiree costs for health benefits results in a subsidy of retirees currently estimated at $7 million. Moreover, the Council has encouraged all County agencies to explore ways to address the huge and growing cost of retiree health benefits, especially as the pre-funding associated with GASB Statement 45 takes hold.

In an effort to find a reasonable middle ground, we asked OHR to prepare tables that reflect phasing in the change for retirees over three years rather than in FY09 alone. See the tables on ©26-31. The annual increases in FY09-11, while still significant, would be much smaller. The savings to the County would also be much smaller.

Specifically, the three-year phase-in would reduce the FY09 savings from $471,000 to $157,000. **The difference, $314,000, would go on the Reconciliation List. If approved by the Council, it would be added to the amount shown in the Group Insurance for Retirees NDA, $25,725,330, on ©53 of the April 21 packet.**

The phase-in would also reduce FY10 savings from $942,000 to $471,000 (half the year at the 1/3 phase-in and half the year at the 2/3 phase-in) and FY10 savings from $942,000 to $785,000 (half the year at the 2/3 phase-in and half the year at the full phase-in). The full savings would be realized in FY11. Note that these are estimates; actual costs will depend on plan experience, enrollment, and annual rate changes.

Committee recommendation (3-0): Support the three-year phase-in of prescription drug plan cost changes for retirees. Place the added County cost in FY09 for the Group Insurance for Retirees NDA, $314,000, on the Reconciliation List.

Other Committee recommendations for FY09 group insurance (3-0):

- **Approve the recommended expenditures of the Employee Health Benefits Self Insurance Fund ($162,276,190), as outlined on ©64 of the April 21 packet and adjusted for the three-year phase-in.**

- **Support the FY09 agency group insurance pay-as-you-go funding requests for both active employees and retirees, as outlined on page 13 of the April 21 packet.**

• **After budget, consider options for high-deductible and consumer-driven plans, as recommended in the Council's resolution on Policy Guidance for Agency Group Insurance Programs (December 2003).**

2. **FY09 County Government Compensation-Related NDAs (see pages 11-12 of the April 21 packet)**

The Committee reviewed six Non-Departmental Accounts, as outlined on ©53-57 of the April 21 packet: **Judges' Retirement Contribution** ($3,740), **State Positions Supplement** ($144,950), **State Retirement Contribution** ($934,920), **Group Insurance for Retirees** ($25,725,330), **Compensation and Employee Benefits Adjustments** ($-1,567,930), and **Retiree Health Benefits Trust** ($19,571,930).

Committee recommendations (3-0):

• **Approve the first three NDAs, which reflect annual County obligations.**

• **Approve the Group Insurance for Retirees NDA, with the addition of $314,000 due to the phase-in of prescription drug cost changes for retirees noted above.**

• **Approve the Compensation and Employee Benefits Adjustment NDA, including the component parts listed on ©57 of the April 21 packet.**

• **Approve the Retiree Health Benefits Trust NDA, with the subtraction of an estimated $3.2 million due to the recommendation of Mr. Lowman noted above.**

3. **Other Compensation Issues (see pages 14-15 of the April 21 packet)**

The Committee discussed the personnel management reviews and similar reports prepared by the agencies. The Committee will meet after budget to discuss ways in which the agency reports can be made more user-friendly and informative through inclusion of trend data, summary tables, and other approaches. The Committee also reviewed funding requests for the agencies' **employee awards and tuition assistance programs**.

Committee recommendation (3-0): Approve the agency requests.

4. **FY09 Retirement Program (see pages 9-11 of the attached April 21 packet)**

The Committee reviewed a range of issues concerning the **County Government retirement program**, including the actuarially determined County contribution to the defined benefit Employees' Retirement System and the amount for the defined contribution Retirement Savings Plan. Separately the Committee reviewed the budgets of the County's three retirement plans: the Deferred Compensation Plan, the Employees' Retirement System, and the Retirement Savings Plan.

Additional retirement improvements included in the contract reopeners with MCGEO and the FOP are summarized on pages 3, 9, and 10 of the April 21 packet. In the MCGEO reopener, the County contribution to employees' Retirement Savings Plan accounts goes from 6 percent of salary to 8 percent (an increase of one-third). In addition, employees are given the option, effective July 2009, to move from the RSP to a new cash balance plan, the Guaranteed Retirement Income Plan (GRIP). This plan has a guaranteed annual return of 7.25 percent (assuming IRS approval). This guarantee could be an excellent option for some employees, but for the County it is a huge potential new liability, especially if investment returns fall below 7.25 percent.

The MCGEO reopener also raises the pension multiplier for deputy sheriffs and corrections officers, at the time of social security integration, from 1.25 percent to 1.65 percent, an increase of 32 percent. Meanwhile, the COLA for FY09 (year 2 of last year's new contract) is 4.5 percent. This means that for the two-thirds of MCGEO members who also receive service increments, the total increase in FY09 – a tight budget year – is 10 percent (4.5 percent COLA + 3.5 percent increment + 2.0 percent RSP increase).

The FOP reopener provides for an increase in maximum credited service from 30 to 36 years (including sick leave), an unreduced pension with 25 years of service at any age, and a maximum benefit of 86.4 percent of final earnings for veteran officers rather than the current 76 percent. The reopener also creates a permanent **Deferred Retirement Option Plan (DROP)** that enables employees who are at least 46, and have at least 25 years of credited service, to elect to retire, but continue to work for a maximum of 3 years.

The packet from Mr. Faden and Mr. Drummer on collective bargaining focuses on two retirement issues in particular: **legal** questions regarding the permissible return level of MCGEO's GRIP and **operational** questions regarding the FOP's DROP. From a fiscal perspective, the question with all the proposed retirement improvements is whether they make sense this year. In a budget that raises taxes and reduces services for County residents, it is reasonable to ask why the collective bargaining process produces such different results for County employees.

Committee recommendations: Approve the FY09 administrative budgets of the Employees' Retirement System, the Retirement Savings Plan, and the Deferred Compensation Plan (3-0).

With regard to the additional cost in FY09 of the retirement improvements included in the pending contract "reopeners" with MCGEO and the FOP, Ms. Trachtenberg and Ms. Ervin recommend approval, while Mr. Andrews recommends disapproval in this tight budget year.

Ms. Trachtenberg and Ms. Ervin also recommend approval of the proposed FY09 County contributions for the Employees' Retirement System and the Retirement Savings Plan, which are projected at $110.0 million for the ERS and $19.5 million for the RSP. Mr. Andrews recommends approval of these amounts minus the

additional FY09 costs resulting from the retirement improvements in the contract "reopeners".

5. FY09 Pay Changes (see pages 1-8 of the April 21 packet)

The Committee reviewed the FY09 budget context and compensation overview on pages 1-4 of the April 21 packet. The Committee also reviewed the extensive background information on pay changes in the region and elsewhere on pages 4-8. For FY09 County agency pay increase requests, see the table on page 7 of this memo.[3] The table on ©32 provides, for each agency, the FY09 tax-supported cost of each one percent of COLAs ($22.9 million total for all agencies), one furlough day ($10.5 million), and service increments ($37.1 million).[4]

Councilmembers have explored different approaches to pay increases. Councilmember Trachtenberg has discussed a number of options with the three County Government and three MCPS unions. See samples of her April 29 and May 8 letters on ©33-36. Councilmember Ervin has expressed strong support for adhering to the salary provisions of all negotiated agreements. Councilmember Andrews has said that in a budget that calls for tax increases and service reductions for County residents, fairness requires a reduction in projected employee COLAs.

Councilmember Leventhal requested information on limiting COLAs for agency employees with salaries of $100,000 or more. See the data on ©37. Councilmember Elrich has also expressed interest in this idea. Council President Knapp has discussed with the unions a variety of ways to achieve employee participation. Whichever approach the Council decides to take, two principles are useful to consider:

- **The amount contributed by employees should be meaningful.** The Executive's recommended budget has two distinct parts. One, for County residents, calls for higher property taxes and reduced services.[5] The other, for County agency employees, provides large pay increases and retirement improvements. A better balance is needed.

- Employee contributions that help in FY09 are useful, but given the County's fiscal challenge in FY10 and beyond, employee contributions whose impact will extend to future years as well are even more useful. **One-shot savings are good, but permanent savings are even better.**

The Committee recommends (3-0) approval of five FY09 budget adjustments transmitted by the Executive which result from the wage equity provision in the collective bargaining agreement with MCGEO approved by the Council on

[3] On May 5 the Council reviewed the FY09 WSSC budget, including pay issues, in preparation for the bi-county meeting with the Prince George's County Council on May 8.

[4] The service increment number for MCPS is computed differently from the numbers for the other agencies. We are developing a consistent methodology for all agencies' numbers.

[5] The financial squeeze on County residents is well understood. Like people elsewhere, they feel the impact of sharply higher costs for groceries, gasoline, electricity, home heating, State taxes, Metro fares, and water/sewer service; falling values for homes and retirement accounts; and for some, the fact or prospect of foreclosure and unemployment.

November 28, 2006 in Resolution No. 15-1719. The adjustments, which are related to pending FY08 Supplemental Appropriation #08-232, are: Correction and Rehabilitation ($6,840), DOT – Transit Services ($119,310), Health and Human Services ($315,430), Police ($31,660), and DOT ($25,090).

Ms. Trachtenberg and Mr. Andrews recommend a reduction of $40 million in FY09 employee pay increases, with the specific approach to be determined by the Council. Ms. Ervin opposes this recommendation.

With regard to the FY09-11 IAFF contract, Ms. Trachtenberg and Ms. Ervin recommend approval of the pay increase provisions. Mr. Andrews supports the increases for FY09-10 but opposes the increase for FY11 (7.0 percent pay plan adjustment plus 3.5 percent service increment for eligible employees).

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SUMMARY OF FY09 AGENCY PAY INCREASE REQUESTS
Increments and General Wage Adjustments (% Increase)

Agency	Increments For Eligible Employees	General Wage Adjustments
County Government		
MCGEO units	3.5	4.5[6]
FOP	3.5	4.0
IAFF	3.5	2.0 + 2.0[7]
Non-represented	3.5	4.5[8]
M-NCPPC		
MCGEO units	3.5	3.25
Non-represented	3.5	3.25[9]
FOP	3.5	3.25[10]
Montgomery College		
Faculty	$2,242[11]	5.5
Administration	TBD	TBD
Staff (non-bargaining)	3.0	5.0
Staff (AFSCME)	3.0	5.0
MCPS		
MCEA	1.5-3.9	5.0
MCAASP	3.0	5.0
SEIU Local 500	1.9-5.5	5.0
WSSC	3.0[12]	3.5

For specific details, see the tables on ©77-110 of the April 21 packet.

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6 Additional adjustments for Bus Operators, Correctional Officers, and Deputy Sheriffs, plus longevity increases
7 2.0 percent in 7/08 and 2.0 percent more in 1/09
8 Plus performance-based longevity increases and lump-sum awards
9 The current planning assumption is 3.25 percent. Commission action is pending.
10 The union has ratified a new three-year agreement. Commission action is pending.
11 Lump sum payment
12 For non-represented employees, a new Performance Management System will tie increases to performance appraisals. For represented employees, the contract with AFSCME is being negotiated. WSSC salaries are affected by merit increases, lump-sum incentive pay, and/or flexible worker pay, plus IT bonus pay (contract employees).

MEMORANDUM

April 28, 2008

TO: Councilmembers
Confidential Aides

FROM: Stephen B. Farber, Council Staff Director SBF

SUBJECT: Retiree Health Benefits – OPEB (Other Post Employment Benefits)

We have recently received three documents related to retiree health benefits pre-funding (GASB OPEB). These costs are above and beyond the annual pay-as-you-go claims costs that are included every year in agency budgets. The documents are:

- An April 17 memo and draft resolution from the Executive for an eight-year phase-in of pre-funding, to amend last year's resolution calling for a five-year phase-in. See ©1-3.

- A table from the Finance Department showing the Executive's proposed eight-year schedule and comparing it with schedules for five years and ten years. See ©4.

- An April 24 letter from Mr. Bowers to Councilmember Ervin citing a reduction in the Annual Required Contribution (ARC) for MCPS, according to the latest actuarial valuation, and including suggestions from the MCPS actuary about different ways to compute the phase-in. See ©5-8.

On April 21 the MFP Committee started its review of retiree health benefits in FY09. (See the summary description in the Executive's recommended FY09 operating budget on ©9.) On May 9 the Committee will make a recommendation to the Council on the phase-in schedule. With Chair Trachtenberg's concurrence, I have asked the Council's actuarial adviser, Thomas Lowman of Bolton Partners, to review these documents and discuss options with the Committee on May 9. Mr. Lowman has advised the Council on health benefits issues for many years. For the past five years, he has collaborated with members of the Multi-Agency OPEB Work Group and has contributed very effectively to the Group's update meetings with the Committee.

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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

April 17, 2008

TO: Michael J. Knapp, President
Montgomery County Council

FROM: Isiah Leggett; County Executive

SUBJECT: Resolution for Eight-Year Phase-In of Retiree Health Benefits (OPEB) Funding

RECEIVED
MONTGOMERY COUNTY
COUNCIL
2008 APR 21 PM 4:53

The purpose of this memorandum is to provide for your review and approval, an updated County Council Resolution calling for an eight-year phase-in approach to funding the County agencies' Retiree Health Benefits obligations. This revised resolution is consistent with my Recommended FY09 Budget and Public Services Program.

As you are aware, the County Agencies have a sizeable liability related to health benefits it has promised to retirees. Currently, agencies pay for those costs on a pay-as-you-go basis out of each year's operating budget. Last year at my request, the Council approved Resolution No. 16-87 which stated the Council's commitment to the responsible fiscal management of the County agencies' Other Post Employment Benefit (OPEB) obligations and stated the Council's policy intent to fund the difference between the OPEB pay-as-you-go contribution and the Annual Contribution for the tax-supported agencies over a five-year period beginning with Fiscal Year 2008.

I am happy to report that a total of $31.9 million is being set aside in Retiree Health Benefits (OPEB) funding in FY08. However, as I communicated to you in the context of my recommended budget, I no longer believe that a five-year phase-in schedule is affordable, given our current fiscal situation. I have recommended significant measures to cut back on expenditures and raise additional revenues, but still found that a five-year phase-in could not be afforded. Therefore, I recommended to the Council and included in my Recommended Operating Budget funds consistent with an eight-year phase to the tax-supported agencies' full Annual Contribution in the year 2014. The attached resolution reflects my revised recommendation.

I provided additional information regarding my revised approach to Retiree Health Benefits Funding in my April 7, 2008 memorandum to the Council. If you are in need of additional information regarding the recommended resolution, please feel free to contact me or Executive Branch staff.

IL:jb

Attachment

cc: Timothy L. Firestine, CAO
Jennifer E. Barrett, Director, DOF
Joseph F. Beach, Director, OMB
Joseph Adler, Director, OHR

Resolution No:	
Introduced:	April XX, 2008
Adopted:	April XX, 2008

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

SUBJECT: Eight-Year Funding Schedule for County Agencies' Annual Contribution for Retiree Health Benefits (Other Post Employment Benefits – OPEB)

Background

1. The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to retiree health benefits, referred to as Other Post Employment Benefits (OPEB).

2. County agencies (the County Government, Montgomery County Public Schools, Montgomery College, the Washington Suburban Sanitary Commission, and the Maryland-National Capital Park and Planning Commission) are required to disclose their OPEB liabilities in their financial statements, starting with the fiscal year beginning July 1, 2007 (FY 2008).

3. Establishment of separate trusts and adoption of a written policy of the County's intent to phase-in full funding of the difference between the pay-as-you-go contributions and the Annual Contribution allows the County agencies to use, in their actuarial valuations, a discount rate higher than their operating investment rate for accounting and budgeting purposes. Absent such a policy, County agencies would be required to record OPEB liabilities in their financial statement of almost twice as much as liabilities required with such a policy.

4. On April 10, 2007, in Resolution No. 16-87, the Montgomery County Council acknowledged that the County agencies intended to establish one or more trusts on or before July 1, 2007, and stated the Council's policy intent to fund the OPEB obligation over a five-year period beginning with FY 2008.

5. On April 1, 2008, the County Council approved Expedited Bill 28-07, Personnel – Other Post Employment Benefits Trust – Establishment. This Bill establishes a Retiree Health Benefits Trust for the County Government, and designates the Board of Investment Trustees to manage the investment of the trust funds. Trusts are now in place for all the tax-supported agencies, except Montgomery College, which is in the final stages of establishing a Trust.

6. For FY 2009, the Annual Contribution for the agencies has been recalculated and is now estimated at $305.4 million. In the County Executive's FY09 Recommended Budget, a phase-in period of eight years has been recommended instead of the five-year phase-in that was planned in FY 2008, in response to the County's fiscal situation.

<u>Action</u>

The County Council for Montgomery County, Maryland approves the following resolution:

1. The Council is committed to the responsible fiscal management of the County agencies' obligations for Retiree Health Benefits (Other Post Employment Benefits - OPEB) and acknowledges that County agencies have already established or intend to establish one or more trusts for such purposes.

2. It is the Council's policy intent to fund the difference between the OPEB pay-as-you-go contributions and the Annual Contribution, for the tax supported agencies, on an amortized even basis over an eight-year period beginning with FY 2008 and ending with FY 2015.

This is a correct copy of Council action.

____
Linda M. Lauer, Clerk of the Council

RETIREMENT HEALTH BENEFITS PRE-FUNDING - RECOMMENDED EIGHT-YEAR PHASE-IN (with alternative comparisons)

	Actuarial Accrued Liability (AAL)	Annual Contribution (AC)	CE RECOMMENDED - EIGHT-YEAR PHASE IN FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
County	$ 1,384,000,000	$ 128,000,000	$ 14,020,000	$ 23,000,000	$ 39,000,000	$ 55,000,000	$ 71,000,000	$ 87,000,000	$ 103,000,000	$ 115,000,000
Public Schools	$ 1,605,000,000	$ 161,000,000	16,060,000	$ 29,000,000	$ 48,000,000	$ 67,000,000	$ 86,000,000	$ 105,000,000	124,000,000	138,000,000
College	$ 78,200,000	$ 5,900,000	606,400	$ 900,000	$ 1,600,000	$ 2,300,000	$ 3,000,000	$ 3,700,000	4,400,000	4,700,000
M-NCPPC (1)	$ 118,800,000	$ 10,485,000	1,210,500	$ 2,250,000	$ 3,600,000	$ 5,400,000	$ 6,750,000	$ 8,550,000	9,900,000	11,250,000
SubTotal Tax-Supported	$ 3,186,000,000	$ 305,385,000	$ 31,896,900	$ 55,150,000	$ 92,200,000	$ 129,700,000	$ 166,750,000	$ 204,250,000	$ 241,300,000	$ 268,950,000

COMPARISONS	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2016
						FY2013 - FY2015 Illustrative				
Original Plan - Five Year Phase In	$ 31,896,900	$ 70,731,250	$ 109,816,538	$ 148,875,852	$ 187,732,195	*$ 192,400,000*	*$ 197,200,000*	*$ 202,100,000*		
Eight-year Phase-In	$ 31,896,900	$ 55,150,000	$ 92,200,000	$ 129,700,000	$ 166,750,000	$ 204,250,000	$ 241,300,000	$ 268,950,000		
Budgetary Savings/(Costs) 8 yr vs. 5 yr	$ -	$ 15,581,250	$ 17,616,538	$ 19,175,852	$ 20,982,195	$ (11,850,000)	$ (44,100,000)	$ (66,850,000)		
									FY2017 and FY207 Illustrative	
Eight-year Phase-In	$ 31,896,900	$ 55,150,000	$ 92,200,000	$ 129,700,000	$ 166,750,000	$ 204,250,000	$ 241,300,000	$ 268,950,000	*$ 275,700,000*	*$ 282,600,000*
Ten-year Phase-In	$ 31,896,900	$ 43,500,000	$ 75,350,000	$ 107,200,000	$ 139,050,000	$ 170,900,000	$ 202,750,000	$ 234,150,000	$ 266,000,000	$ 290,250,000
Budgetary Savings/(Costs) 10 yr vs. 8 yr	$ -	$ 11,650,000	$ 16,850,000	$ 22,500,000	$ 27,700,000	$ 33,350,000	$ 38,550,000	$ 34,800,000	$ 9,700,000	$ (7,650,000)

Notes:
Future years illustrative costs are based on 2.5% assumed net increases each year attributed primarily to an additional year of service and related earned benefits each year.
Projections do not include any assumptions about changes in benefits.

4

MCPS MONTGOMERY COUNTY PUBLIC SCHOOLS
www.montgomeryschoolsmd.org MARYLAND

April 24, 2008

The Honorable Valerie Ervin, Chair
Education Committee
Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

Dear Ms. Ervin:

This letter is to provide the documentation that we discussed at the Education Committee meeting on April 21, 2008. Mr. Douglas Rowe of Mercer is the actuary who performed the actuarial valuations of the Other Post Employment Benefit liability for the Montgomery County Public Schools (MCPS). Enclosed are his letter and the funding examples.

The most recent valuation reduced the Annual Required Contribution (ARC) for MCPS from $80 million to $73 million. This reduction is the result of the savings from the recent bid of medical and prescription plans by MCPS, Montgomery County Government, and other agencies. The trust that was established by the Montgomery County Board of Education for Other Post Employment Benefit contributions was funded with an initial contribution of $16 million. Because this initial contribution that was based on a five-year phase-in is included in the base budget, the annual increases required for a longer phase-in period to get to the $73 million ARC are greatly reduced. Mr. Rowe has prepared several options for an 8-year or 10-year phase-in plan.

We share the Council's concerns about protecting the County's bond rating with the resulting impact on debt service costs. We look forward to working with you to find a funding level that protects our educational achievements.

Sincerely,

Larry A. Bowers

Larry A. Bowers
Chief Operating Officer

LAB:sz

Enclosures

Copy to:
Members of the Board of Education
Dr. Weast
Dr. Spatz

Office of the Chief Operating Officer
850 Hungerford Drive, Room 149 • Rockville, Maryland 20850 • 301-279-3626

Douglas L. Rowe, FSA, MAAA, EA
Principal

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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doug.rowe@mercer.com
www.mercer.com

April 21, 2008

Ms. Susanne DeGraba
Chief Financial Officer
Montgomery County Public Schools
7361 Calhoun Place, Suite 190
Rockville, MD 20855

Via Electronic Mail

Dear Sue:

My understanding is that County budget pressure is causing you to revisit the original plan for a five year phase-in for funding the ARC under GASB45. Both eight and ten year phase-ins are being considered. The first year (FY2008) contribution amount of $16 million on top of actual claims cost will not be changed. Based on the actuarial valuation that was used to determine the ARC for FY2009, the excess of the ARC over current claims cost is now estimated to be $73 million.

In this situation, many patterns of annual pre-funding (above claims) contributions are possible. I suggest that you use a phase-in close to one of those shown on the attachment in order to:

- avoid budget swings that would occur if you reduced the pre-funding contribution for next year and then had to increase it substantially in the future, and
- strengthen the story to bond rating agencies that you are moving to full funding of the ARC.

Of course, future actuarial valuations are likely to show that the difference between the ARC and current claims has changed, perhaps significantly, so any of the contribution amounts on the attachment after the second year will need to be adjusted to remain on an eight or ten year phase-in. Even small differences between some assumptions (e.g. the amount of future retiree contributions) and actual experience can lead to large changes in the ARC.

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

6

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Please let me know if you have any questions or need further information.

Sincerely,

Douglas L. Rowe

Douglas L. Rowe, FSA, MAAA, EA
Principal

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2

Illustrations of GASB45 Pre-funding Contributions only - does not include Contributions toward Actual Claims in Each Year

8 year phase-in

Equal amounts phase-in - if every year were based on 8 year phase in to $73 million

Year	Annual Cont.	Cumulative Cont.
1	9.1	9.1
2	18.3	27.4
3	27.4	54.8
4	36.5	91.3
5	45.6	136.9
6	54.8	191.6
7	63.9	255.5
8	73.0	328.5

FY09 = FY08, then 6 equal steps to $73 million

	Annual Cont.	Cumulative Cont.
1	16.0	16.0
2	16.0	32.0
3	25.5	57.5
4	35.0	92.5
5	44.5	137.0
6	54.0	191.0
7	63.5	254.5
8	73.0	327.5

Note that total contributions are almost equal to the equal amounts phase-in schedule

$5 million increase each of next 2 years, then $9 million, then equal increases to $73 million

	Annual Cont.	Cumulative Cont.
1	16.0	16.0
2	21.0	37.0
3	26.0	63.0
4	35.0	98.0
5	44.5	142.5
6	54.0	196.5
7	63.5	260.0
8	73.0	333.0

Note that total contributions are close to the equal amounts phase-in schedule

$5 million increase each of next 2 years, then $7 million, then equal increases to $73 million

	Annual Cont.	Cumulative Cont.
1	16.0	16.0
2	21.0	37.0
3	26.0	63.0
4	33.0	96.0
5	43.0	139.0
6	53.0	192.0
7	63.0	255.0
8	73.0	328.0

Note that total contributions are almost equal to the equal amounts phase-in schedule

10 year phase-in

Equal amounts phase-in - If every year were based on 10 year phase in to $73 million

1	7.3	7.3
2	14.6	21.9
3	21.9	43.8
4	29.2	73.0
5	36.5	109.5
6	43.8	153.3
7	51.1	204.4
8	58.4	262.8
9	65.7	328.5
10	73.0	401.5

FY09 = FY08, then 8 equal steps to $73 million

1	16.0	16.0
2	16.0	32.0
3	23.1	55.1
4	30.3	85.4
5	37.4	122.8
6	44.5	167.3
7	51.6	218.9
8	58.8	277.6
9	65.9	343.5
10	73.0	416.5

Note that total contributions exceed the equal amounts phase-in schedule

$5 million increase each of next 2 years, then $9 million, then equal increases to $73 million

1	16.0	16.0
2	21.0	37.0
3	26.0	63.0
4	35.0	98.0
5	41.3	139.3
6	47.7	187.0
7	54.0	241.0
8	60.3	301.3
9	66.7	368.0
10	73.0	441.0

Note that total contributions exceed the equal amounts phase-in schedule

Increases of $4 million, then $5 million, then $6 million, then equal increases ($7 million/year) to $73 million

1	16.0	16.0
2	20.0	36.0
3	25.0	61.0
4	31.0	92.0
5	38.0	130.0
6	45.0	175.0
7	52.0	227.0
8	59.0	286.0
9	66.0	352.0
10	73.0	425.0

Note that total contributions exceed the equal amounts phase-in schedule

Retiree Health Benefits Trust

Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to what we have been doing for retiree pension benefits for more than 50 years. The reasons for doing this are simple: due to exponential growth in expected retiree health costs, the cost of funding these benefits, which are currently paid out as the bills come due, may soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which will be invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but which will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is $2.6 billion – more than half the total FY09 budget for all agencies.

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits. This amount, known as an Annual Required Contribution or "ARC", was calculated for County agencies last year to be $240 million, or nearly $190 million more than the previous annual payment for current retirees. Still too large an amount to be set aside all at once in FY08, the County chose a further approach of "ramping up" to the ARC amount over several years, with the amount set aside each year increasing steadily until the full ARC is reached. A total of $31.9 million for all tax supported agencies was budgeted for this purpose in FY08.

For FY09, the ARC has been recalculated and is now estimated at $250 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay-as-you-go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay-as-you-go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis. For FY09, a ramp-up period of eight years has been assumed, up from the five year phase-in that was planned in FY08. This lengthen of the phase-in period is being implemented in response to the County's fiscal situation, and results in a contribution for all County tax-supported agencies of $55.15 million in FY09, down from $70.73 million called for under the previous plan.

Proposed FY09 Retiree Health Benefits Trust Contributions

	FY09
Montgomery County Government (MCG)	
General Fund:	
Retiree Health Benefits Trust NDA	$19,571,930
Proprietary Funds:	
Bethesda Parking District	$56,650
Wheaton Parking District	8,500
Silver Spring Parking District	45,320
Solid Waste Collection	25,490
Solid Waste Disposal	203,920
Liquor Control	883,670
Permitting Services	606,100
Community Use of Public Facilities	76,470
Motor Pool	472,990
Risk Management	33,990
Central Duplicating	84,970
Participating Agency Contributions:	
Housing Opportunities Commission	$680,000
Revenue Authority	120,000
Strathmore Hall	70,000
Credit Union	50,000
Washington Suburban Transit Commission	10,000
Total MCG Trust Contributions	**$23,000,000**
Montgomery County Public Schools Trust Fund	**29,000,000**
Montgomery College Trust Fund	**900,000**
Park and Planning Commission Trust Fund	**2,250,000**
Total FY09 Contributions	**$55,150,000**

BOLTON PARTNERS, INC.

MEMORANDUM

DATE: May 6, 2008

TO: Management and Fiscal Policy Committee

FROM: Thomas Lowman, Bolton Partners, Inc. T.L.

SUBJECT: Comments on the OPEB Phase-in Schedule

This memo is an update to our prior memos dated November 20, 2006, March 9, 2007, June 20, 2007 and November 19, 2007. We have focused on the following four key areas:

1. Potential decision to move away from the five-year phase-in plan in FY09
2. Status of review of options for limiting liability
3. Lessons to date from the experience of other jurisdictions
4. Current views of rating agencies

1. Potential decision to move away from the five-year phase-in plan in FY09

Since there is no legal requirement to pre-fund, there is no legal reason not to slow down the pre-funding. This is a policy decision. However, generally I would encourage staying with a plan to get the benefits of the lower accounting expense, protecting the County's credit rating, and showing a commitment to providing benefits.

The following outlines what some other counties are doing to phase into fully funding the cost of these benefits:

- Howard: 8 year phase-in plus additional funds for FY08 and FY09 allocated
- Frederick: 5 year phase-in plus additional funds for FY08
- Prince George's: 10 year phase-in
- Anne Arundel: Money set aside but not in a trust
- Baltimore County: Fully funded FY08 expense.

The Executive's FY09 request for all agencies (totaling about $55 million) made some policy changes from the FY08 request. The two most significant of these are (1) the extension of the phase-in period from five to eight years and (2) the reduction in the interest discount rate by about 1%. These changes moved liabilities in opposite directions, but the net impact is a reduction in the request compared to what the prior policy would produce. I would not recommend a change in the interest rate used for funding for the reasons described below.

Also, since the budget request was made, MCPS has updated their actuarial results and lowered the expense amount. This is due in part to changes made in benefits.

We have (with Aon's assistance) estimated the change in the budget request for the County and MCPS to reflect simply moving to an eight year phase-in of the "ARC" but not changing the discount rate. For FY09, this would lower the County's amount from $23.0 million to $19.7 million and the MCPS amount from $29.0 million to $18.3 million. Moving from an eight year to a ten year period would lower the amounts for FY09 to $15.8 million for the County and $14.6 million for MCPS (the MCPS amount would be less than the FY08 amount of $16.0 million).

Since I am not recommending changing the discount rate, I thought that I should provide some more detail on this point.

a. All of the agencies used their pension funding interest assumption as the basis for their FY08 budget request. My rationale for this is that eventually the plan was to contribute the full "ARC" funding amount and that these higher interest rates would be justified and consistent with the pension plan funding. The rate does vary from plan to plan (the County's pension plan uses an 8% rate and MCPS uses a 7.5% rate).

b. The rate used for funding and the interest rate used to determine the accounting expense need not be the same. The rate used for accounting is supposed to depend on the level of funding. My expectation was that the rate used to determine the accounting expense would be a lower rate and would not reach the pension plan rate until the full expense was funded. MCPS and the County may try to use the full pension plan rate for accounting purposes in FY08. While I would like this result, I am not sure that it will be possible.

c. The County recognized that by recommending the extension of the phase-in period from five to eight years, the ability to justify the full pension interest rate for accounting purposes is more difficult. For that reason it proposed lowering the discount rate by 1% (from 8% to 7% for the County and from 7.5% to 6.5% for the Schools). However, this was done not just for accounting purposes but for funding (budget) purposes as well. I agree that this might be an appropriate change for accounting purposes in order to follow the accounting rules. However, the funding decision is a policy decision. The choice seems to be: (1) follow the prior practice of using the pension rate given that by the end of the phase-in period we will be able to use this for accounting purposes as well, or (2) base current budget decisions on what rate is being used for current year accounting purposes.

d. My recommendation is to use the ultimate interest rate for funding purposes since this reflects the amount we are trying to ramp up to. I never assumed that the funding and accounting assumption would be the same during the phase-in period. This recommendation is consistent with what our other clients are doing for funding. However, from an outcome perspective I would like to see as much funding as possible.

Since I would like to see as much funding as possible, I have also estimated the funding needed to go to a seven year phase-in period. This would lower the County's amount for FY09 from $23 million to $22.6 million, the MCPS amount from $29 million to $20.7 million, the College amount from $0.9 million to $0.8 million and MNCPPC would remain at $2.25 million.

Three additional points should be made:

- The plan is to eventually fund the full cost (ARC). The $40.6 million FY09 payment on the attached chart is only a fraction (2/8th) of the $160+ million annual funding goal.

- In addition to phasing in the extra cost of this benefit, other related cost increases will still occur. This is primarily the annual increase in the pay-as-you-go cost which might increase by more than 10% per year for some time.

- The County will have an unfunded obligation (Net OPEB Obligation/NOO) to put on its books, and lengthening the phase-in period will increase this amount.

What do I recommend? Do as much as you can. If you can not do a five-year phase-in, then move to seven. If not seven, move to eight. If not eight, move to ten. I don't know what the County can afford, but I do know that generally the other counties are under ten years. However, the further out you go, the more you should be thinking about reducing benefits since the signal you are sending is that you cannot afford what you are currently providing. As a Council you should consider what type of message you are willing to send to retirees and employees and balance it with your funding commitments. A ten-year phase-in period implies to me that there is stress and significant benefit cuts are needed in order to achieve sustainability.

Attached is a chart comparing the current FY09 budget request to an eight year phase-in schedule using the pension plan discount rates.

2. *Status of review of options for limiting liability*

Deciding how to limit liability is not easy. We see that MCPS made a material change which allowed them to reduce their expense. We see that the County reduced their drug plan costs and the retirees reacted very strongly. We understand that the County and its unions will discuss possible benefit changes, affecting new employees only, but will not report until September 2009.

We understand that some changes need to be bargained and that the County and M-NCPPC are limited from sharing details of discussions due to collective bargaining rules. It is not clear how constrained MCPS is, but they seem to try and follow the same collaborative style. The College seems to have fewer such constraints.

In our last memo we suggested the Council might consider the following possibilities:

- Provide guidance on what the County can afford and ask the agencies to design plans around those fiscal constraints.

- Provide a common plan design and suggest that all agencies and unions work toward this design. This "common" design might be different for existing employees vs. new hires. If this approach is taken, the Council might wish to get fiscal impact information from the agencies' actuaries.

We think these should still be considered.

12

3. Lessons to date from the experience of other jurisdictions

As noted above, most Maryland jurisdictions have less than a ten-year phase-in period. In addition, at least two (Howard and Frederick) are making additional contributions when they can.

Some have made benefit changes but many have not decided what changes to make. Frederick and Howard have not made any decisions. St. Mary's and Baltimore have made changes. These can be summarized as follows:

A. St. Mary's County

Percentage of Published Cost Paid by County

Years of Service	Retired Prior to July 1, 2010 Subsidy	Retired After July 1, 2010 Subsidy
5	26.6%	0.00%
6	31.9%	0.00%
7	37.2%	0.00%
8	42.5%	0.00%
9	47.8%	0.00%
10	53.1%	21.25%
11	58.4%	21.25%
12	63.8%	21.25%
13	69.1%	21.25%
14	74.4%	21.25%
15	79.7%	42.50%
16 – 19	85.0%	42.50%
20 – 24	85.0%	63.75%
25+	85.0%	85.00%

B. Baltimore County

a. For County Retirees, co-payments for in-network office visits are increased $5.

b. For County Retirees, co-payments for Emergency Room visits are increased from $35 to $50.

c. For County and School Retirees in the CareFirst and Optimum Choice plans, co-payments for prescription drugs dispensed at retail pharmacies are increased. The new co-payments are: for generic drugs, $5 for the County and $8 for the Schools; $20 for preferred brand drugs; and $35 for non-preferred brand drugs. The Schools also added a step therapy utilization management program to their prescription plan.

d. The percent of the published rates for County employees who retired prior to September 1, 2007 was increased over five years. At the end of the five-year period, those Carefirst Retirees with full service will pay 20% of the premium, and Optimum Choice and Kaiser Retirees with full service will pay 10% of the premium.

e. County Employees who retire after September 1, 2007 will receive a premium subsidy based on a schedule. The subsidy increases with each year of service. The maximum subsidy for general employees is for 30 or more years of service and for Public Safety employees for 25 or more years of service.

f. Effective January 1, 2008, Medicare Eligible County, School and College Retirees will be part of the County's PDP plan. This plan structure allows the county to reflect anticipated Medicare reimbursements for Part D prescription drug coverage.

4. Current views of rating agencies

As we have heard in the past, looking at pre-funding OPEB is just part of a comprehensive review of the County's credit rating. OPEB is just one incremental piece of the County's financial standing. No agency that we are aware of has issued standards for funding. Many counties are experiencing financial stress and reductions in OPEB funding might be one such indication. We did talk to Amy Laskey at FitchRatings who confirmed this view.

Chart of FY09 OPEB funding in millions

	As in proposed budget	8 year phase in at Pension Return assumption
County Government	$23.0	$19.7
MCPS	$29.0	$18.3
MNCPPC	$2.25	$1.9
College	$0.9	$0.7
Total	$55.15	$40.6

15

OFFICE OF HUMAN RESOURCES

Isiah Leggett
County Executive

Joseph Adler
Director

MEMORANDUM

May 1, 2008

TO: Duchy Trachtenberg
County Councilmember

FROM: Joseph Adler, Director
Office of Human Resources

SUBJECT: Changes to the Prescription Drug Plan

At the April 21, 2008 meeting of the Council's Management and Fiscal Policy Committee, there was discussion about the prescription drug plan changes the County negotiated with unions and the plan to pass changes through to retirees. For your information, I have summarized below the changes that are scheduled to take effect January 1, 2009 and highlighted the estimated savings resulting from those changes. In addition, I have addressed questions posed by Council Staff Director Steve Farber and the Montgomery County Retired Employees' Association.

Prescription Drug Plan Summary

- The Standard Option prescription drug plan will continue to have a $50 deductible, a $10 co-pay for generic drugs, a $20 co-pay for preferred brand name drugs, and a $35 co-pay for non-preferred brand name drugs. These provisions apply to all active and retired plan members. A copy of the preferred brand name drug list as of April 1, 2008 is attached.

- The High Option prescription drug plan will continue to be offered with a $4 co-pay for generic drugs and an $8 co-pay for brand name drugs for MCGEO and IAFF unit members.

- The High Option prescription drug plan will have a $5 co-pay for generic drugs and a $10 co-pay for brand name drugs for FOP unit members, non-represented employees, and retirees.

- The employer cost share for **both** the Standard and High Option plans will be fixed at the current employer contribution percentage for the Standard Option plan. Employer share may vary based on hire date and bargaining unit for active employees, and may vary for retirees based on retirement date and cost sharing plan elected.

- Members of the High Option plan will pay the difference between the employer contribution of the Standard Option plan outlined above, and the total cost of the High Option plan.

- Both plans will limit maintenance medication prescriptions filled at a retail pharmacy to the initial fill plus one re-fill. Thereafter, the member should use the plan's mail order feature to fill a prescription for a maintenance prescription. The mail order co-pay for up to a 90-day supply is the same as the retail co-pay.

- If a participant fills a prescription for a maintenance medication at a retail pharmacy after two fills, the member must pay the applicable co-pay plus the difference between the retail and mail order cost of the medication.

- Both plans will require the use of generic medications where available unless the doctor specifically instructs to dispense as written (DAW). If the prescription is filled with a brand name drug that has a generic equivalent and there is no DAW instruction, the member will pay the applicable co-pay plus the difference between the cost of the brand name drug and its generic equivalent.

- Custom Care Mail and Custom Care Retail clinical review programs are being implemented.

Savings Estimates

- The projected cost reduction for calendar year 2009 for the prescription drug plan changes is 5.7%. Since the plan changes take effect January 1, only half the savings are being projected for FY 09.

- Projected FY 09 County savings are outlined by group below:

Group	**Projected Savings**
FOP	$106,500
Fire	$105,500
MCGEO	$406,000
Non-Represented Employees	$211,500
Retirees	$471,000
Total Projected savings	$1,300,500

(7)

Response to Questions Posed by Mr. Farber

Three questions regarding the changes to the prescription drug plan were posed:

1) How many retirees in the different plans will be affected and in what way, i.e., on what basis did you come up with the \$471K number for savings?

   Response: The \$471,000 savings represents a ½ year of the projected annual savings resulting from the changes to the prescription drug plan administered by CVS Caremark, Inc (because the change goes into effect mid-fiscal year). The savings projection was developed by re-pricing claims to reflect the new plan design and cost sharing.

   The changes do not affect retirees enrolled in the Kaiser Permanente Health plan or retirees whose prescription drug benefit is provided through the major medical portion of the indemnity medical plan.

   As of April 1, 2008, there are 4,072 retires with prescription coverage. The enclosed spreadsheet reflects enrollment by plan and level of coverage (individual, retiree plus 1, family).

2) Why did current non-represented employees and retirees get the higher co-payments?

   Response: The administration was able to reach agreement to increase the co-pay for the standard option plan for one bargaining unit, and decided to put that plan design into place for non-represented employees and retirees. The objective was to amend the plan(s) to generate reasonable savings where possible, and this modest increase in co-pays helped meet that objective.

3) Is the County's authority clear to make this change unilaterally?

   Response: Historically changes to the retiree benefit plans have been made at the recommendation of the Chief Administrative Officer. Retirees have no vested right to a particular level of heath benefit, and retirees do not have the right to bargain their benefits. In an October 24, 1995 memorandum to Ms. Karen Orlansky, Director, Office of Legislative Oversight, the County Attorney confirmed the County's ability to make changes to retiree health benefits.

Montgomery County Retired Employees' Association Concerns

The Montgomery County Retired Employees Association, Inc., (MCREA) expressed concerns about the decision to introduce the changes, and in an April 21, 2008,

18

letter to the MFP Committee chair, Ms. Suzanne Hudson, President of MCREA suggested that the pass through of changes to retirees was not equitable and urged the MFP Committee to reject them.

In an e-mail message to Councilmember Andrews, Ms. Hudson analyzed the prospective impact of the change on retirees, and generally captured the essence of the change that will cap the Government's contribution to the prescription drug coverage to a percentage of the Standard Option plan cost. For most retirees, the County contribution is either 70 or 80 percent of plan cost depending on the date of retirement and cost sharing option elected. There is also a rate difference for Medicare eligible retirees.

The enclosed spreadsheet reflects the current full cost of prescription coverage, and lists the current premium, premium under the new arrangement, and difference. Assuming 2008 rates remain constant, a retiree in the standard plan will have no change in premium. A retiree in the High Option plan whose cost sharing is currently paying 20% will pay 32%. A retiree currently paying 30% will pay 40%.

Retirees who remain in the High Option plan would also pay $1 to $2 more for each prescription, depending on the drug.

As you know, there has been much discussion in recent months about the County's ability to fund the cost of post-retirement health care benefits. Indeed, the County Council has encouraged the County Government and all County agencies to explore ways to address this growing liability. The changes being recommended are a modest step toward that objective, and I am certain we will continue to have discussions in this arena.

It should also be noted that rates for the self-insured medical, dental, and prescription plans are determined by pooling the active and retiree costs. As a result, retirees are subsidized by active employee experience. The most recent actuarial estimate indicates that if retiree rates were determined on a stand alone basis (not pooled with active employee experience) the cost of the retiree plan would be approximately $7 million greater, and the premiums paid by retirees would be higher.

Staff will be available to discuss any of these matters further at the May 9 meeting of the MFP committee.

cc: Kathleen Boucher, ACAO

19

CAREMARK

April 2008

Primary/Preferred Drug List

For the most up-to-date Primary/Preferred Drug List visit www.caremark.com

The **Caremark Primary/Preferred Drug List** is a guide within select therapeutic categories for clients and their plan participants. **Generics should be considered the first line of prescribing.** If there is no generic available, there may be more than one brand-name medicine to treat a condition. These preferred brand-name medicines are listed to help identify products that are clinically appropriate and cost-effective. Generics listed in therapeutic categories are for representational purposes only and not meant to be all-inclusive. This list represents brand products in CAPS and generic products in lowercase *italics*.

PLAN PARTICIPANT

Your benefit plan provides you with a prescription benefit program administered by Caremark. Ask your doctor to consider prescribing, when medically appropriate, a preferred medicine from this list. Take this list along when you or a covered family member sees a doctor.

Please note:

- Your specific prescription benefit plan design may not cover certain categories, regardless of their appearance in this document.
- For specific information regarding your prescription benefit coverage and copay[1] information, please visit our Web site at www.caremark.com or contact a Caremark Customer Care representative.
- Caremark may contact your doctor after receiving your prescription to request consideration of a drug list product or generic equivalent. This may result in your doctor prescribing, when medically appropriate, a different brand-name product or generic equivalent in place of your original prescription.

HEALTH CARE PROVIDER

Your patient is covered under a prescription benefit plan administered by Caremark. As a way to help manage health care costs, authorize generic substitution whenever possible. If you believe a brand-name product is necessary, consider prescribing a brand name on this list.

Please note:

- Generics should be considered the first line of prescribing.
- This drug list is not inclusive nor does it guarantee coverage, but represents a summary of prescription coverage.
- The plan participant's specific prescription benefit plan may have a different copay[1] for specific products on the list.
- Unless specifically indicated, drug list products will include all dosage forms.
- Log in to www.caremark.com to check coverage and copayments[1] for a specific medicine.

ANTI-INFECTIVES

ANTIBACTERIALS

§ CEPHALOSPORINS
cefaclor
cefdinir
cephalexin

§ ERYTHROMYCINS/ MACROLIDES
azithromycin
clarithromycin
clarithromycin ext-rel
erythromycins

§ FLUOROQUINOLONES
ciprofloxacin ext-rel
ciprofloxacin tablet
AVELOX
CIPRO SUSPENSION
LEVAQUIN

§ PENICILLINS
amoxicillin
amoxicillin-clavulanate
dicloxacillin
penicillin VK

§ TETRACYCLINES
doxycycline hyclate
minocycline
tetracycline

§ MISCELLANEOUS
metronidazole
sulfamethoxazole-trimethoprim

§ ANTIFUNGALS
fluconazole
itraconazole
terbinafine tablet

ANTIVIRALS

§ HERPES AGENTS
acyclovir
VALTREX

§ INFLUENZA AGENTS
TAMIFLU

CARDIOVASCULAR

§ ACE INHIBITORS
fosinopril
lisinopril
quinapril
ALTACE

§ ACE INHIBITOR/ DIURETIC COMBINATIONS
fosinopril-hydrochlorothiazide
lisinopril-hydrochlorothiazide
quinapril-hydrochlorothiazide

§ ACE INHIBITOR/CALCIUM CHANNEL BLOCKERS
TARKA

ANGIOTENSIN II RECEPTOR ANTAGONISTS/ COMBINATIONS
ATACAND[2]/ATACAND HCT
AVAPRO/AVALIDE
BENICAR/BENICAR HCT
MICARDIS/MICARDIS HCT

ANTILIPEMICS

ANTILIPEMIC COMBINATIONS
VYTORIN

§ BILE ACID RESINS
cholestyramine
WELCHOL

CHOLESTEROL ABSORPTION INHIBITORS
ZETIA

§ FIBRATES
fenofibrate
TRICOR

§ HMG-CoA REDUCTASE INHIBITORS
pravastatin
simvastatin
LIPITOR

NIACINS/COMBINATIONS
ADVICOR
NIASPAN

§ BETA-BLOCKERS
atenolol
carvedilol
metoprolol
metoprolol succinate ext-rel
nadolol
propranolol
COREG CR

§ CALCIUM CHANNEL BLOCKERS
amlodipine
diltiazem ext-rel
nifedipine ext-rel
verapamil ext-rel

CALCIUM CHANNEL BLOCKER/ANTILIPEMIC COMBINATIONS
CADUET

§ DIGITALIS GLYCOSIDES
digoxin

§ DIURETICS
furosemide
hydrochlorothiazide
metolazone
spironolactone-hydrochlorothiazide
torsemide
triamterene-hydrochlorothiazide

CENTRAL NERVOUS SYSTEM

ANTIDEPRESSANTS

§ MISCELLANEOUS AGENTS
bupropion
bupropion ext-rel
mirtazapine
WELLBUTRIN XL

20

Your specific prescription benefit plan design may not cover certain categories, regardless of their appearance in this document. For specific information, visit our Web site at www.caremark.com or contact a Caremark Customer Care representative.

§ SELECTIVE SEROTONIN REUPTAKE INHIBITORS (SSRIs)
citalopram
fluoxetine
paroxetine
sertraline
LEXAPRO
PAXIL CR

§ SEROTONIN NOREPINEPHRINE REUPTAKE INHIBITORS (SNRIs)[3]
venlafaxine
CYMBALTA
EFFEXOR XR

§ HYPNOTICS, NONBENZODIAZEPINES
zolpidem
LUNESTA

MIGRAINE

SELECTIVE SEROTONIN AGONISTS
IMITREX
MAXALT
ZOMIG

MULTIPLE SCLEROSIS AGENTS
COPAXONE
REBIF

ENDOCRINE AND METABOLIC

ANDROGENS
ANDROGEL

ANTIDIABETICS

§ BIGUANIDES
metformin
metformin ext-rel

INCRETIN MIMETIC AGENTS
BYETTA

INSULINS
APIDRA
HUMALOG
HUMULIN
LANTUS
LEVEMIR
NOVOLIN
NOVOLOG

INSULIN SENSITIZERS
ACTOS

INSULIN SENSITIZER/ BIGUANIDE COMBINATIONS
ACTOPLUS MET

INSULIN SENSITIZER/ SULFONYLUREA COMBINATIONS
DUETACT

MEGLITINIDES
PRANDIN

§ SULFONYLUREAS
glimepiride
glipizide
glipizide ext-rel

§ SULFONYLUREA/ BIGUANIDE COMBINATIONS
glipizide-metformin
glyburide-metformin

SUPPLIES
ACCU-CHEK STRIPS AND KITS[5]
BD INSULIN SYRINGES AND NEEDLES
ONETOUCH STRIPS AND KITS[5]

BISPHOSPHONATES
ACTONEL
ACTONEL WITH CALCIUM
FOSAMAX
FOSAMAX PLUS D

CONTRACEPTIVES

§ MONOPHASIC
YASMIN
YAZ

§ TRIPHASIC
ORTHO TRI-CYCLEN LO

§ EXTENDED CYCLE
ethinyl estradiol-levonorgestrel

TRANSDERMAL
ORTHO EVRA

VAGINAL
NUVARING

ESTROGENS

§ ORAL
estradiol
estropipate
ENJUVIA
PREMARIN

§ TRANSDERMAL, ESTROGENS
estradiol
CLIMARA
ESTRADERM
VIVELLE
VIVELLE-DOT

ORAL ESTROGEN/ PROGESTINS
PREMPHASE
PREMPRO

§ PROGESTINS
medroxyprogesterone
PROMETRIUM

SELECTIVE ESTROGEN RECEPTOR MODULATORS
EVISTA

§ THYROID SUPPLEMENTS
levothyroxine
SYNTHROID

GASTROINTESTINAL

§ H_2 RECEPTOR ANTAGONISTS
ranitidine

§ PROTON PUMP INHIBITORS
omeprazole
NEXIUM
PREVACID

GENITOURINARY

§ BENIGN PROSTATIC HYPERPLASIA
doxazosin
finasteride
terazosin
FLOMAX

§ URINARY ANTISPASMODICS
oxybutynin
oxybutynin ext-rel
DETROL
DETROL LA
ENABLEX
OXYTROL
VESICARE

HEMATOLOGIC

§ ANTICOAGULANTS
warfarin
COUMADIN

RESPIRATORY

ANAPHYLAXIS TREATMENT AGENTS
EPIPEN
EPIPEN JR

§ ANTICHOLINERGICS
SPIRIVA

§ ANTICHOLINERGIC/ BETA AGONISTS
ipratropium-albuterol inhalation solution
COMBIVENT

§ ANTIHISTAMINES, NONSEDATING
fexofenadine

§ ANTIHISTAMINE/ DECONGESTANTS
ALLEGRA-D[4]

BETA AGONISTS

§ SHORT ACTING
albuterol
PROAIR HFA
PROVENTIL HFA
XOPENEX

LONG ACTING
FORADIL
SEREVENT

LEUKOTRIENE RECEPTOR ANTAGONISTS
SINGULAIR

NASAL ANTIHISTAMINES
ASTELIN

§ NASAL STEROIDS
fluticasone
NASACORT AQ
NASONEX
RHINOCORT AQUA
VERAMYST

STEROID/BETA AGONISTS
ADVAIR
SYMBICORT

STEROID INHALANTS
ASMANEX
FLOVENT
PULMICORT

TOPICAL

DERMATOLOGY

§ ACNE
erythromycin-benzoyl peroxide
tretinoin
BENZACLIN
DIFFERIN
DUAC
RETIN-A MICRO
ZIANA

OPHTHALMIC

§ BETA-BLOCKERS, NONSELECTIVE
timolol maleate solution
BETIMOL

BETA-BLOCKERS, SELECTIVE
BETOPTIC S

PROSTAGLANDINS
LUMIGAN
TRAVATAN
XALATAN

§ SYMPATHOMIMETICS
brimonidine 0.2%
ALPHAGAN P

QUICK REFERENCE PRIMARY/PREFERRED DRUG LIST

A

ACCU-CHEK STRIPS AND KITS[5]
ACTONEL
ACTONEL WITH CALCIUM
ACTOPLUS MET
ACTOS
acyclovir
ADVAIR
ADVICOR
albuterol
ALLEGRA-D[4]
ALPHAGAN P
ALTACE
amlodipine
amoxicillin
amoxicillin-clavulanate
ANDROGEL
APIDRA
ASMANEX
ASTELIN
ATACAND[2]
ATACAND HCT
atenolol
AVALIDE
AVAPRO
AVELOX
azithromycin

B

BD INSULIN SYRINGES AND NEEDLES
BENICAR
BENICAR HCT
BENZACLIN
BETIMOL
BETOPTIC S
brimonidine 0.2%
bupropion
bupropion ext-rel
BYETTA

C

CADUET
carvedilol
cefaclor
cefdinir

21

Your specific prescription benefit plan design may not cover certain categories, regardless of their appearance in this document. For specific information, visit our Web site at www.caremark.com or contact a Caremark Customer Care representative.

cephalexin
cholestyramine
CIPRO SUSPENSION
ciprofloxacin ext-rel
ciprofloxacin tablet
citalopram
clarithromycin
clarithromycin ext-rel
CLIMARA
COMBIVENT
COPAXONE
COREG CR
COUMADIN
CYMBALTA

D

DETROL
DETROL LA
dicloxacillin
DIFFERIN
digoxin
diltiazem ext-rel
doxazosin
doxycycline hyclate
DUAC
DUETACT

E

EFFEXOR XR
ENABLEX
ENJUVIA
EPIPEN
EPIPEN JR
erythromycin-benzoyl peroxide
erythromycins
ESTRADERM
estradiol
estropipate
ethinyl estradiol-levonorgestrel
EVISTA

F

fenofibrate
fexofenadine
finasteride
FLOMAX
FLOVENT
fluconazole
fluoxetine
fluticasone
FORADIL
FOSAMAX
FOSAMAX PLUS D
fosinopril
fosinopril-hydrochlorothiazide
furosemide

G

glimepiride
glipizide
glipizide ext-rel
glipizide-metformin
glyburide-metformin

H

HUMALOG
HUMULIN
hydrochlorothiazide

I

IMITREX
ipratropium-albuterol inhalation solution
itraconazole

L

LANTUS
LEVAQUIN
LEVEMIR
levothyroxine
LEXAPRO
LIPITOR
lisinopril
lisinopril-hydrochlorothiazide
LUMIGAN
LUNESTA

M

MAXALT
medroxyprogesterone
metformin
metformin ext-rel
metolazone
metoprolol
metoprolol succinate ext-rel
metronidazole
MICARDIS
MICARDIS HCT
minocycline
mirtazapine

N

nadolol
NASACORT AQ
NASONEX
NEXIUM
NIASPAN
nifedipine ext-rel
NOVOLIN
NOVOLOG
NUVARING

O

omeprazole
ONETOUCH STRIPS AND KITS[5]
ORTHO EVRA
ORTHO TRI-CYCLEN LO
oxybutynin
oxybutynin ext-rel
OXYTROL

P

paroxetine
PAXIL CR
penicillin VK
PRANDIN
pravastatin
PREMARIN
PREMPHASE
PREMPRO
PREVACID
PROAIR HFA
PROMETRIUM
propranolol
PROVENTIL HFA
PULMICORT

Q

quinapril
quinapril-hydrochlorothiazide

R

ranitidine
REBIF
RETIN-A MICRO
RHINOCORT AQUA

S

SEREVENT
sertraline
simvastatin
SINGULAIR
SPIRIVA
spironolactone-hydrochlorothiazide
sulfamethoxazole-trimethoprim
SYMBICORT
SYNTHROID

T

TAMIFLU
TARKA
terazosin
terbinafine tablet
tetracycline
timolol maleate solution
torsemide
TRAVATAN
tretinoin
triamterene-hydrochlorothiazide
TRICOR

V

VALTREX
venlafaxine
VERAMYST
verapamil ext-rel
VESICARE
VIVELLE
VIVELLE-DOT
VYTORIN

W

warfarin
WELCHOL
WELLBUTRIN XL

X

XALATAN
XOPENEX

Y

YASMIN
YAZ

Z

ZETIA
ZIANA
zolpidem
ZOMIG

FOR YOUR INFORMATION: Generics should be considered the first line of prescribing. This Caremark Drug List is not inclusive nor does it guarantee coverage, but represents a summary of prescription coverage. Specific prescription benefit plan design may not cover certain categories, regardless of their appearance in this document. The plan participant's prescription benefit plan may have a different copay[1] for specific products on the list. Unless otherwise indicated, drug list products will include all dosage forms. This list represents brand products in CAPS and generic products in lowercase *italics*. Generics listed in therapeutic categories are for representational purposes only and are not meant to be all-inclusive. Listed products may be available generically in certain strengths or dosage forms. Dosage forms on this list will be consistent with the category and use where listed. Log in to www.caremark.com to check coverage and copayments for a specific medicine.

§ Generics are available in this class and should be considered as the first line of prescribing.
[1] Copayment or copay means the amount a plan participant is required to pay for a prescription in accordance with a Plan, which may be a deductible, a percentage of the prescription price, a fixed amount or other charge, with the balance, if any, paid by a Plan.
[2] Atacand should be reserved for patients who meet CHARM (Candesartan in Heart Failure - Assessment of Reduction in Mortality and Morbidity) trial criteria.
[3] Indicates the proposed mechanism of action, based on the American Psychiatric Association Summary of Treatment Recommendations.
[4] Higher copayments may apply depending on the plan participant's specific prescription benefit plan. Log in to www.caremark.com to find the copayment under a specific plan.
[5] An Accu-Chek or OneTouch blood glucose meter will be provided at no charge by the manufacturer to those individuals currently using a meter other than Accu-Chek or OneTouch. For more information on how to obtain a blood glucose meter, call toll-free: 1-800-588-4456. Participants must have Caremark Mail Service benefits to qualify.

22

Your privacy is important to us. Our employees are trained regarding the appropriate way to handle your private health information.
Caremark may receive rebates, discounts and service fees from pharmaceutical manufacturers for certain listed products.

Listed products are for informational purposes only and are not intended to replace the clinical judgment of the prescriber.

Retiree Prescription Coverage
As of April 1, 2008

Coverage Level	Prescription Plan: Caremark High Option	Caremark Standard Option	Indemnity Plan	Kaiser Permanente
Non-Medicare				
Individual	523	8	106	41
Retiree + 1	721	7	118	38
Family	333	3	25	20
Medicare Eligible				
Individual	557	4	518	36
Retiree + 1	585	2	350	29
Family	26	0	17	4
TOTAL - 4071	2745	24	1134	168

(23)

Retiree Prescription Coverage
2008 Premiums
Non-Medicare Eligible

FULL COST	High Option	Standard Option
Individual	$149.38	$126.97
Retiree + 1	$276.33	$234.89
Family	$428.25	$364.01

Coverage Level	Current		Proposed		Difference	
	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option
80/20 cost share						
Individual	$29.88	$25.39	$47.80	$25.39	$17.93	$0.00
Retiree + 1	$55.27	$46.98	$88.42	$46.98	$33.15	$0.00
Family	$85.65	$72.80	$137.04	$72.80	$51.39	$0.00
70/30 cost share						
Individual	$44.81	$38.09	$60.50	$38.09	$15.69	$0.00
Retiree + 1	$82.90	$70.47	$111.91	$70.47	$29.01	$0.00
Family	$128.48	$109.20	$173.44	$109.20	$44.97	$0.00

Retiree Prescription Coverage
2008 Premiums
Medicare Eligible

FULL COST	High Option	Standard Option
Individual	$184.82	$157.10
Retiree + 1	$369.64	$314.21
Family	$554.46	$471.30

Coverage Level	Current		Proposed		Difference	
	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option
80/20 cost share						
Individual	$36.96	$31.42	$59.14	$31.42	$22.18	$0.00
Retiree + 1	$73.93	$62.84	$118.27	$62.84	$44.34	$0.00
Family	$110.89	$94.26	$177.42	$94.26	$66.53	$0.00
70/30 cost share						
Individual	$55.45	$47.13	$74.85	$47.13	$19.40	$0.00
Retiree + 1	$110.89	$94.26	$149.69	$94.26	$38.80	$0.00
Family	$166.34	$141.39	$224.55	$141.39	$58.21	$0.00

24

MCREA
Montgomery County Retired Employees' Association, Inc.

April 21, 2008

Hon. Duchy Trachtenberg, Chair
Management and Fiscal Policy Committee
Montgomery County Council
Council Office Building
100 Maryland Avenue
Rockville, Maryland 20850

Dear Ms. Trachtenberg:

Re: Pass Thru Prescription Drug Plan

I am writing to express my opposition to the proposed reduction to the Prescription Drug Plan for retirees. The proposal is found on page 8-18 Workforce/Compensation of the FY 09 Operating Budget.

As we understand the reduction, the county would pay its cost share amount (percentage varies) based on the "Standard" option per category (Single, Single +1, and Family). For retirees to opt to go up to the "High" option plan, they will have to pay the difference for upgrading as well as their share of the "Standard" option.

For retirees who are on fixed incomes, this is a cost reduction that could range from $348 to $665 per year. Money that they will have to find in their limited budgets to pay their portion of the Prescription Drug Plan.

A prescription drug plan reduction was bargained for by the three unions who received hugh compensation increases in return. This reduction was passed through to retirees (and other non-union employees), but retirees did not receive any benefits in exchange. This is not equitable.

We urge you to restore the prescription drug benefit for retirees to its current status.

Cordially,

Suzanne Hudson

Suzanne Hudson, President

25

P.O. Box 73 • Rockville, MD • 20848-0073 phone 301.929.9339 • toll free 1.866.929.9339 • www.mcreaonline.com

Retiree Prescription Coverage
2008 Monthly Premiums
Non-Medicare Eligible
First Year Phase-in
1/3 of the Formula Change

FULL COST	High Option	Standard Option
Individual	$149.38	$126.97
Retiree + 1	$276.33	$234.89
Family	$428.25	$364.01

Coverage Level	Current		First Year Cost Paying 1/3 of Proposed Change		Difference	
	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option
80/20 cost share			1/3 phase in of cost increase			
Individual	$29.88	$25.39	$35.85	$25.39	$5.98	$0.00
Retiree + 1	$55.27	$46.98	$66.32	$46.98	$11.05	$0.00
Family	$85.65	$72.80	$102.78	$72.80	$17.13	$0.00
70/30 cost share			1/3 phase in of cost increase			
Individual	$44.81	$38.09	$50.04	$38.09	$5.23	$0.00
Retiree + 1	$82.90	$70.47	$92.57	$70.47	$9.67	$0.00
Family	$128.48	$109.20	$143.46	$109.20	$14.99	$0.00

Retiree Prescription Coverage
2008 Monthly Premiums
Medicare Eligible
First Year Phase-in
1/3 of the Formula Change

FULL COST	High Option	Standard Option
Individual	$184.82	$157.10
Retiree + 1	$369.64	$314.21
Family	$554.46	$471.30

	Current		First Year Cost Paying 1/3 of Proposed Change		Difference	
Coverage Level	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option
80/20 cost share			1/3 phase in of cost increase			
Individual	$36.96	$31.42	$44.36	$31.42	$7.39	$0.00
Retiree + 1	$73.93	$62.84	$88.71	$62.84	$14.79	$0.00
Family	$110.89	$94.26	$133.07	$94.26	$22.18	$0.00
70/30 cost share			1/3 phase in of cost increase			
Individual	$55.45	$47.13	$61.91	$47.13	$6.47	$0.00
Retiree + 1	$110.89	$94.26	$123.83	$94.26	$12.94	$0.00
Family	$166.34	$141.39	$185.74	$141.39	$19.41	$0.00

27

Retiree Prescription Coverage
2008 Monthly Premiums
Non-Medicare Eligible
Second Year Phase-in
2/3 of the Formula Change

FULL COST	High Option	Standard Option
Individual	$149.38	$126.97
Retiree + 1	$276.33	$234.89
Family	$428.25	$364.01

Coverage Level	First Year Cost		Second Year Cost Paying 2/3 of Proposed Change		Difference	
	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option
80/20 cost share			2/3 phase in of cost increase			
Individual	$35.85	$25.39	$41.83	$25.39	$5.98	$0.00
Retiree + 1	$66.32	$46.98	$77.37	$46.98	$11.05	$0.00
Family	$102.78	$72.80	$119.91	$72.80	$17.13	$0.00
70/30 cost share			2/3 phase in of cost increase			
Individual	$50.04	$38.09	$55.27	$38.09	$5.23	$0.00
Retiree + 1	$92.57	$70.47	$102.24	$70.47	$9.67	$0.00
Family	$143.46	$109.20	$158.45	$109.20	$14.99	$0.00

2f

Retiree Prescription Coverage
2008 Monthly Premiums
Medicare Eligible
Second Year Phase-in
2/3 of the Formula Change

FULL COST	High Option	Standard Option
Individual	$184.82	$157.10
Retiree + 1	$369.64	$314.21
Family	$554.46	$471.30

Coverage Level	First Year Cost		Second Year Cost Paying 2/3 of Proposed Change		Difference	
	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option
80/20 cost share			2/3 phase in of cost increase			
Individual	$44.36	$31.42	$51.75	$31.42	$7.39	$0.00
Retiree + 1	$88.71	$62.84	$103.50	$62.84	$14.79	$0.00
Family	$133.07	$94.26	$155.25	$94.26	$22.18	$0.00
70/30 cost share			2/3 phase in of cost increase			
Individual	$61.91	$47.13	$68.38	$47.13	$6.47	$0.00
Retiree + 1	$123.83	$94.26	$136.77	$94.26	$12.94	$0.00
Family	$185.74	$141.39	$205.15	$141.39	$19.41	$0.00

Retiree Prescription Coverage
2008 Monthly Premiums
Non-Medicare Eligible
Final

FULL COST	High Option	Standard Option
Individual	$149.38	$126.97
Retiree + 1	$276.33	$234.89
Family	$428.25	$364.01

Coverage Level	Second Year Cost		Proposed		Difference	
	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option	Caremark High Option	Caremark Standard Option
80/20 cost share						
Individual	$41.83	$25.39	$47.80	$25.39	$5.98	$0.00
Retiree + 1	$77.37	$46.98	$88.42	$46.98	$11.05	$0.00
Family	$119.91	$72.80	$137.04	$72.80	$17.13	$0.00
70/30 cost share						
Individual	$55.27	$38.09	$60.50	$38.09	$5.23	$0.00
Retiree + 1	$102.24	$70.47	$111.91	$70.47	$9.66	$0.00
Family	$158.45	$109.20	$173.44	$109.20	$14.99	$0.00

Retiree Prescription Coverage
2008 Monthly Premiums

30

Medicare Eligible
Final

FULL COST	High Option	Standard Option
Individual	$184.82	$157.10
Retiree + 1	$369.64	$314.21
Family	$554.46	$471.30

	Second Year Cost		Proposed		Difference	
Coverage Level	Caremark High Option	Caremark Standard Option	Caremark High *Option*	Caremark Standard *Option*	Caremark High *Option*	Caremark Standard *Option*
80/20 cost share						
Individual	$51.75	$31.42	$59.14	$31.42	$7.39	$0.00
Retiree + 1	$103.50	$62.84	$118.27	$62.84	$14.77	$0.00
Family	$155.25	$94.26	$177.42	$94.26	$22.17	$0.00
70/30 cost share						
Individual	$68.38	$47.13	$74.85	$47.13	$6.47	$0.00
Retiree + 1	$136.77	$94.26	$149.69	$94.26	$12.93	$0.00
Family	$205.15	$141.39	$224.55	$141.39	$19.40	$0.00

3.1

SELECTED COMPENSATION DATA, FY09 REQUESTS
Tax-supported only

Item	County Government	MCPS	College	MNCPPC	Total
Cost of General Wage Adjustment (wages, social security, retirement)	31,430,863	71,658,744	6,230,974	2,682,200	112,002,781
Cost of other Wage Adjustment (wages, social security, retirement)	0	9,600	0	0	9,600
Cost per 1% General Wage Adjustment (wages, social security, retirement)	6,539,906	14,331,748	1,246,195	820,900	22,938,749
Cost per furlough day (wages, social security, retirement)	2,851,930	6,679,188	647,898	314,400	10,493,416
Cost of increments for employees not at top of grade (wages, social security, retirement)	5,859,188	27,011,133	2,354,578	1,877,600	37,102,499
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	1,674,054	7,742,807	784,859	574,600	10,776,320

32

MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

DUCHY TRACHTENBERG
COUNCILMEMBER
AT-LARGE

April 29, 2008

Gino Renne, President
UFCW Local 1994 MCGEO
600 S. Frederick Avenue, Suite 200
Gaithersburg, MD 20877

Dear Mr. Renne:

In light of the difficult decisions County Council faces for the upcoming budget, I am turning to elected union leadership for counsel during this process.

The strong advantage of having union represented county employees is that the union structure, through its elected leadership, is an excellent conduit to reach out to the rank and file. It is important to each councilmember to hear and respect what options county and school employees would prefer as the Council balances the interests of residents across Montgomery County while making our final budget decisions. Without unions in place, this process would be much more difficult.

With the uncertainty of the County Council's willingness to break the charter limits and concerns over jeopardizing our AAA credit rating, we may well not have the revenue needed to execute the current CBAs without invoking their provisions for Reductions in Force. In an abundance of caution, I want to begin a conversation about all available options that might come forward to avoid force reductions as we face the budget deficit.

I am reaching out for an honest and open discussion of options to address our budget deficit. This invitation is extended to MCGEO, SEIU 500, FOP, IAFF, and MCEA. To facilitate our discussion, below is a list of ideas that have come to my attention that warrant a response from organized labor. You are all invited to submit a memo outlining your concerns and options you feel will be acceptable to the county and school system employees you all represent.

1) If your members were given a choice between a reduction in COLA or involuntary layoffs through each contract's provisions for Reduction in Force, which option do you think your rank and file would find most acceptable?

2) The County Executive projects only 58 employees will take an early retirement buyout option. Do you concur with this position, or do you do you believe there is more demand for this option? What are the best ways to structure these offers to make them more appealing to your members?

3) Would you have members interested and able to participate in a voluntary layoff program that would protect their seniority and health insurance while they drew unemployment for six months? Would there be more interest if this option could be used as a way to bridge a member to retirement?

4) During the District 4 Special Democratic Primary, Don Praisner proposed an extensive labor management cooperation program to help identify savings, much in the same manner as MCGEO's letter to council. Would your members be interested in such a program?

These questions by no means limit our conversation. For further clarification of this request and any other questions you may have, please contact Eric Hensal through my office. Eric is a former union organizer with a depth of experience in labor issues and a Masters of Public Administration earned through the National Labor College. I am sure you will find Eric an excellent resource as we all chart a course through the current budget crisis.

Cordially,

Duchy Trachtenberg
Chair, Management and Fiscal Policy Committee

cc: Honorable Ike Leggett, County Executive
Honorable Mike Knapp, Council President
Honorable Phil Andrews, Council Vice-President
Steve Farber, Council Staff Director

MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

DUCHY TRACHTENBERG
COUNCILMEMBER
AT-LARGE

May 8, 2008

Bonnie Cullison, President
The Montgomery County Education Association
60 West Gude Drive
Rockville, MD 20850

Dear Ms Cullison:

Thank you for meeting this past week to discuss our pressing budget deficit. I greatly appreciated your members' views regarding potential solutions. In addition, I value both your solidarity with each bargaining unit union on issues affecting every county worker and commitment to social justice for individuals who lack the resources to defend themselves against unfair solutions to problems such as we face today.

As chair of the Management and Fiscal Policy committee, my role in the past week was to stake out the boundaries of a potential budget agreement through a frank and open discussion with every union representing county and MCPS employees. With this series of meetings and follow up completed, I am preparing the following recommendation for my committee to consider.

For the coming year, I will recommend a two percent (2%) reduction in the COLA for each bargaining unit, excluding the firefighters whose COLA reduction will be one-half (.5%) percent. The IAFF position was their agreement was recently negotiated in good faith and their members should not face the same adjustments as other bargaining units negotiating during a budget surplus. Every other union I had discussions with supported the IAFF position, and so do I.

For the following year, my recommendation will include a specific proposal to restore a portion of COLA, provided we meet clearly defined revenue targets and maintain our AAA bond rating.

After contributing a fair share towards deficit reduction, county workers rightfully expect a greater voice in how additional savings can be identified and accounted for in our target numbers. My recommendation includes establishing a Joint Labor Management Cooperation Council (LMCC) composed of the leadership of each signatory union, the County Executive, the Superintendent of Schools, or their designated representatives who will convene and develop a county-wide labor management cooperation program.

This will be an equal partnership between the unions and management and shall by no means be used to unilaterally alter established rules and past practices in any collective bargaining agreement. My proposal will create a mechanism to empower front-line county workers and managers to identify, alter, and most importantly, account for projected savings from changes in current practices and procedures. We should not rely solely on sacrifices to address our budget deficit. With a small commitment of resources to this effort, we can unlock the creativity and experience of our workers and give our county a remarkable return on our investment.

Action on this recommendation will move as follows. It will be introduced in the next MFP meeting held on Friday May 9. After discussion, the final recommendation will be voted out of committee and move to the full council for a vote. The final MFP recommendation will be adopted as it stands unless five members vote to do otherwise in council session.

Finally, I want to say that I know we all desire to preserve, to the greatest extent possible, services the county and school system provides to educate our children, protect our community and affirm the dignity of every county resident. Again, I appreciate your willingness to engage in a helpful, constructive dialog on how to address our budget deficit in a fair and just manner that protects working families, seniors, and those less able to protect their own interests.

Cordially,

Duchy Trachtenberg
Chair, Management and Fiscal Policy Committee

cc: Honorable Ike Leggett, County Executive
Honorable Mike Knapp, Council President
Honorable Phil Andrews, Council Vice-President
Honorable Valerie Ervin, Councilmember
Steve Farber, Council Staff Director
Timothy Firestine, Chief Administrative Officer

POTENTIAL COLA SAVINGS

In response to Mr. Leventhal's request, the agencies report that savings from each percentage point of COLA not granted to employees with salaries of $100,000 or more would be:

MCPS		
	MCAASP	$ 777,996
	MCBOA	17,172
	SEIU Local 500	19,503
	MCEA	482,359
	Total	**$1,297,030**
MCG		
	Union employees	$ 184,239
	Non-union employees:	
	Public safety	196,030
	Non-Public safety	532,863
	Total	**$ 913,132**
MC		
	Total	**$ 90,603**
M-NCPPC		
	Planning	$ 34,500
	Parks	29,500
	Finance	8,000
	DHRM	6,800
	Legal	2,800
	Total	**$ 81,600**
	Grand Total	**$2,382,365**

Additional points:

1. These numbers do not include department heads or other non-merit employees who do not receive COLAs since their salary increases are performance-based.
2. M-NCPPC's projected FY09 COLA for the entire bi-county agency is 3.25 percent. Any change would require concurrence from Prince George's.
3. MCG cautions that this approach could cause pay compression and equity issues. This would occur if managers with a reduced COLA ended up with lower salaries than employees with full COLAs whom they supervise. Some observers consider this a serious problem; others do not. Note that one-fifth of MCG savings come from represented employees, chiefly captains in the IAFF bargaining unit.
4. The Council appropriates funding for the College and MCPS in broad categories. Based on past experience, the College Board of Trustees might be receptive to a request from the Council to take a COLA approach of this kind. The Board of Education might be less receptive, particularly since almost all affected employees would be represented.

AGENDA ITEM #8.1
May 14, 2008

MFP COMMITTEE #1
April 21, 2008

Please retain this packet for upcoming Committee and Council worksessions.

MEMORANDUM

April 17, 2008

TO: Management and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director SBF

SUBJECT: Compensation and Benefits for All Agencies

This worksession on compensation and benefits for all agencies in the FY09 operating budget is to review issues in five separate areas: (1) recommended pay changes in the region and the County, (2) retirement, (3) County Government compensation-related Non-Departmental Accounts (NDAs), (4) group insurance, and (5) other compensation issues.

This packet contains extensive information on compensation issues. The **appendix** to this packet contains additional background information, including the Personnel Management Reviews and related data prepared by the agencies.[1]

Budget and human resources staff from all agencies have provided valuable assistance once again this year and will be present to answer the Committee's questions. Representatives of employee organizations and others concerned with compensation issues will also be present.

At this worksession the Committee will review the full range of compensation issues. On May 9 the Committee will meet to make recommendations to the Council.

BUDGET CONTEXT AND COMPENSATION OVERVIEW

Although the County's economy remains much more vibrant than the national economy, it too has clearly slowed. While the unemployment rate remains very low at 2.7 percent, job growth is anemic. Existing home sales in FY08 are projected to fall 33.8 percent to the lowest level in nine years. County revenues can no longer sustain the spending base, which is up more than 80 percent in the last decade. Direct State operating aid is no longer growing rapidly; for FY09 it is actually **down 0.4 percent** from the FY08 level, $527.7 million. Even with Council approval of a $33.2 million savings plan in FY08, the Executive has proposed both service reductions and a large property tax increase in FY09.

[1] To see the appendix, go to www.montgomerycountymd.gov/council, click on Agendas, Packets, and Actions, and select April 21, 2008, MFP Committee, Compensation and Benefits (Data).

The Executive's recommended FY09 tax supported operating budget is $3.7701 billion, up 3.2 percent ($117.4 million) from the Council-approved FY08 budget. Apples-to-apples, the increase is 4.2 percent.[1]

Employee salaries and benefits are always a key building block of the budget. Once again this year they account overall for 80 percent of the budget. For example, of the $126.2 million increase requested by the Board of Education, $112.7 million (89.3 percent) is for salaries and benefits. For details, see the tables on ©1-15, prepared by Legislative Analyst Chuck Sherer, on **agency requests** for the FY09 **tax supported** budget.[2]

Total workyears for all agencies, listed in Schedule D-2 of the Executive's recommended budget, are up 1.5 percent to **34,098.5**. In recent years workforce growth, like budget growth, has been explosive. County Government added 1,300 jobs (a 15 percent increase) over the last five years and 2,200 (a 28 percent increase) over the last 10 years, while population in those periods rose only 4 percent and 15 percent. MCPS added 5,000 jobs in the last 10 years (a 30 percent increase) while enrollment rose 7 percent. All these increases were for purposes deemed important at the time.

Meanwhile, the current three-year negotiated agreements with the six County and MCPS unions all provide compounded salary increases in the 26-29 percent range for the two-thirds of employees who are eligible for annual service increments, as well as enhancements to already excellent benefits. The FY09 **General Wage Adjustments** – GWAs, also called COLAs – are **5.0 percent** for MCPS employees, **4.5 percent** for MCGEO, **4.0 percent** for the FOP (after **7.5 percent** last year), and a total of **4.0 percent** for the IAFF – all plus **3.5 percent** (or similar) service increments for those not at maximum salary. For the College and M-NCPPC, where decisions are not final, see the table on page 8. **Additional pay increases** are based on longevity, specialized work, performance (for non-represented employees), and promotions. For example, the MCGEO contract calls for a **10 percent** pay increase upon promotion.

Councilmember Trachtenberg has requested information on agency compensation costs over time. One measure of these costs is the **cumulative fiscal impact** of the current or pending three-year negotiated agreements with the six County and MCPS unions, starting with the base year. See the fiscal impact statements on ©37-39 and ©111-113. The cumulative fiscal impacts are $117.9 million for MCGEO, $45.4 million for the FOP, $37.2 million for the IAFF, $61.9 million for non-represented employees in County Government, and $577.7 million for MCPS.

The total of these amounts, **$840.1 million**, does not include higher ongoing costs for health benefits for active and retired employees, nor does it include the **$1.2 billion** cost of the proposed eight-year pre-funding schedule for future retiree health benefits.

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[1] This is because the recommended budget shifts $32.6 million in State social services funding (HB669) from the tax supported budget to the Grant Fund. Similarly, the apples-to-apples recommended increase for County Government is 4.2 percent rather than the nominal 1.6 percent. The total recommended budget, including grants and enterprise funds, is up 3.9 percent ($161.8 million) to $4.3243 billion.

[2] The shift described in footnote 1 makes the overall numbers in these tables, and the numbers for County Government in particular, appear smaller than they would on an apples-to-apples basis.

Retirement Benefits

The MCGEO reopener also calls for an increase of 2 percent of salary (from 6 to 8 percent) in the County contribution to the Retirement Savings Plan, which covers more than 4,000 employees. For most such employees, this 2 percent, plus the 4.5 percent GWA and the 3.5 percent service increment, amounts to a 10 percent increase in FY09. The new IAFF contract "caps" employees' overtime pay at 100 percent of their salary and allows waivers to exceed that amount.

Another provision in the MCGEO reopener would give members of the Retirement Savings Plan and new employees a one-time option, starting in July 2009, to transfer to a new **Guaranteed Retirement Income Plan (GRIP).** This cash balance plan would provide a guaranteed annual return of 7.25 percent.[1] This would be a new liability for the County; in the RSP, employees' returns depend on their own investment choices.

The GRIP may be a good option for some employees to have, but it raises the potential exposure of the County's pension fund, whose unfunded liability is now $631 million. The fiscal impact statement projects that the GRIP will actually save the County money because the fund's assumed annual actuarial return, 8.0 percent, is more than 7.25 percent. This saving would occur only if the fund actually achieves this return. If it doesn't, the County's unfunded liability will increase.

Two other examples from **Fire and Rescue** (MCFRS) illustrate the impact of compensation costs. As the Office of Legislative Oversight noted in phase I of its base budget review (February 2007), between FY02 and FY07 the MCFRS workforce grew by 17 percent (171 positions) while compensation costs grew by 83 percent ($70.1 million). As the Fiscal Plan excerpt on ©16 shows, the projected cost of four-person staffing, compared to FY09, rises from $3.8 million in FY10 to $19.2 million in FY14, not including the higher salary and benefit costs associated with the new contract starting in FY09.

Retiree health benefits are another example. Last year the Council agreed to a five-year phase-in of the annual required contribution (ARC) to pay future benefits. For the four agencies combined, the ARC was calculated at $240 million, nearly $190 million more than the pay-as-you-go amount for current retirees. The FY08 phase-in amount, $31.9 million, was scheduled to rise to $70.7 million in FY09. This year the ARC has been recalculated at $250 million. The Executive proposed an eight-year phase-in, saving $15.6 million in FY09. Under this schedule the **$55.1 million** contribution in FY09 will rise sharply in future years, from **$92.2 million** in FY10 to **$269.0 million** in FY15. The FY09-15 total is **$1.2 billion**. See ©17.

In recent negotiations with the three County unions, there was agreement on achieving savings in prescription drug costs, partly through greater use of mail order and generic drugs. But on the issue of considering modest revisions to retiree health benefits for future employees (not current or retired employees), the agreement was to study the issue until September 1, 2009, when negotiations will start for the new contracts to be bargained in the election year of 2010.

[1] The County Attorney and Council attorneys are reviewing questions about the legally permissible return level.

These are the costs that drive the County budget and rachet up the spending base. They are affordable when times are good and revenue growth is strong. But in downturns – in the early 1990s, the early part of this decade, and again now – they require large tax increases.[1] The time will come when such increases reach a tipping point.

The County is an outstanding employer, and its compensation policies rightly promote efforts to recruit and retain employees in a competitive marketplace. OHR's annual surveys show clearly that for almost all job categories, County agencies' salaries and benefits compare favorably with those in other jurisdictions and the private sector. Our permanent employees also have something that many others in this economy do not have: virtual job security.

Given the way the collective bargaining process now functions in County agencies, their costs for improved salaries and benefits will probably continue to rise strongly. But for future budgets to be sustainable, all stakeholders – unions, managers, and the community alike – will have to join in focusing more systematically on slowing workforce growth and improving productivity.

One step in this direction could be for the Council to require all agencies to transmit, by September 1 each year (or in conjunction with their budget transmittals), a **workforce right-sizing plan** for the coming fiscal year. Such plans would focus on normal annual turnover of positions – for example, about 600 in County Government and 1,700 at MCPS – and more effective use of technology. Layoffs are not only undesirable but unnecessary.

The Executive's proposed **Retirement Incentive Program,** which is projected to save $5 million in FY09, is a very modest step. It assumes the abolishment of just 54 positions in County Government; see the fiscal impact statement on ©18-21. Overall the Executive proposes to abolish 225 positions. Executive staff estimate that only 60 of these positions would be subject to the County's reduction-in-force procedures. Based on the County's experience in the early 1990s, every employee who seeks an alternative County Government placement will be offered one.

I. RECOMMENDED PAY CHANGES IN THE REGION AND THE COUNTY

This year's edition of our annual survey of pay changes in the region, compiled by Legislative Analyst Amanda Mihill, is attached on ©77-110. The FY09 data at this point reflect the recommendations of county executives or managers, not the final actions of governing boards, and in some cases are not yet available because of ongoing negotiations or other factors.

This survey indicates that in most area jurisdictions, especially those in Virginia, the recommended General Wage Adjustments (GWAs) – apart from normal steps or service increments – are very low (in some cases, zero) to moderate.

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[1] Balancing the FY04 budget involved not only service reductions, deferral of new initiatives, large tax increases, and lower reserves but also a four-month delay in negotiated pay increases. Then during FY04, department and agency budgets had to be cut further by up to 3 percent in two mid-year savings plans. During the recession of the early 1990s most County employees received no general wage adjustment for three straight years (FY92-94).

The summary of FY09 pay increase requests for County agencies is on page 8. The recommended GWAs are once again generally on the high side for the region. **Important points in the data compiled by Ms. Mihill include the following:**

1. **Arlington** County Government, like most Virginia jurisdictions, faces a constrained budget because residential property tax assessments are down once again and there is no local income tax. The recommended GWA for all employees is zero. The county manager has also called for restructuring "unsustainable" retiree health benefits. **Arlington County Public Schools** is considering a 2.2 percent GWA plus a 0.6 percent increase in the 403(b) plan match.

2. **Fairfax** County Government is considering an average 2.3 percent increase for employees in its performance-based pay system and larger increases for public safety employees. **Fairfax County Pubic Schools** is considering a 3.0 percent GWA.

3. **Frederick** County Government is considering performance-based lump sum awards and no GWA, while the GWA for the Public Schools is not yet determined. **Howard** County Government, which benefits from a 2.4 percent unemployment rate despite weakness in housing and financial services, is considering GWAs of 3.0 percent for Service/Labor/Trades, 5.0 for Police, and 6.0 for Fire, along with 5.0 percent for the Public Schools.

4. The **State budget** projects a 2.0 percent GWA. State salary increases have consistently lagged. The GWA was 2.0 percent in FY08, 2.0 for most employees in FY07 (with limited enhancements for some), 1.5 percent in FY06, and a flat dollar increase of $752 in FY05, plus increments. In FY03-04 State employees received neither GWAs nor increments. In FY04 they also lost the State's deferred compensation match of up to $500 and were required to pay more for prescription drugs.

5. The **President's FY09 federal budget** again recommends a weighted average 1.5 percent increment. The recommended GWA, not including locality pay, is 2.9 percent, but Congress may raise this figure once again. The percentage increases in January 2000-2008 were 4.94, 3.81, 4.77, 4.27, 4.42, 3.71, 3.44, 2.64, and 4.49 percent, including the locality adjustment.

These GWAs show a pattern of generally large annual increases. (The step or increment schedule for federal employees is variable; for County agencies it is annual.) The increases have occurred even in the difficult years of the early 1990s and the early 2000s, when many local jurisdictions could not afford increases, and even when the federal budget deficit has been huge.

Important points about County Government pay increases are as follows:

1. The GWA for the **MCGEO Local 1994** units, in the second year of the FY08-10 agreement, is 4.5 percent in July 2008. The 3.5 percent annual service increments, for which 68.5 percent of MCGEO members are eligible, bring the total pay increase for eligible employees to 8.0 percent. There are additional adjustments for Bus Operators, Correctional Officers, and Deputy Sheriffs. The longevity increment effective for employees at the top of their pay grade with 20 years of completed service rose from 2.0 to 3.0 percent in January 2008.

2. The GWA for **FOP Lodge 35,** in the second year of the FY08-10 agreement, is 4.0 percent in July 2008. Last year's pay plan adjustment was 7.5 percent. The 3.5 percent service increments apply to 66.3 percent of FOP members. These increases apply as well to uniformed Police management.

3. The first year of the FY09-11 agreement with **IAFF Local 1664** calls for a 2.0 percent GWA in July 2008 and 2.0 percent more in January 2009. This increase, along with 3.5 percent service increments, for which 55.0 percent of employees are eligible, also applies to Fire and Rescue uniformed managers. The GWA in FY10 is 4.0 percent. The pay plan adjustment in FY11 is 7.0 percent.

4. **Non-represented** employees are scheduled to receive the same GWA and service increments as those in MCGEO. This has been the historical pattern, but in FY04-05 the Executive declined to extend key improvements to non-represented employees. Non-represented employees are also eligible for two kinds of performance-based pay: annual lump-sum awards (1.0 or 2.0 percent of salary) for those rated "highly successful" or "exceptional," and longevity increases (2.0 percent addition to base salary) for employees who have at least 20 years of service, are at the top of their pay grade, and are rated "highly successful" or "exceptional." Employees in the Management Leadership Service receive performance-based increases instead of annual service increments.

5. Data from OHR's Personnel Management Review show that in FY97-00, total pay increases for County Government employees (not including the police and fire bargaining units) not at maximum salary were 18.2 percent more than the CPI increase and 9.2 percent more than private sector increases. In FY01-04 these differentials were 18.8 percent and 12.8 percent. In FY05-08 they were 14.4 percent and 14.8 percent. Comparisons for employees at maximum salary and for earlier periods show significantly different results. **See ©A30-33 in the Appendix to this packet (MFP#2).**

6. Productivity improvement has not kept pace with these large salary increases. The chart on ©42 shows that **County Government tax supported workyears per 1,000 population,** which had declined steadily from FY92 to FY98, started to rise in FY99. Thus, despite the County's heavy investments in technology, total tax supported workyears per 1,000 population were 10.0 percent higher in FY02 than in FY98. In the leaner budgets of FY03-04 this measure declined slightly. But in FY05 it started to rise again, and **for the FY09 recommended budget it is 15.7 percent above the FY98 level.**

7. Other interesting OHR data compare maximum and minimum salaries of certain County agency employees with those in the metropolitan area and selected local jurisdictions. See ©A36-40. For most job classes these comparisons are favorable to County agency employees, especially to County Government employees.

8. The table on ©A35 shows that minimum and maximum County Government salaries for middle management professional positions are mostly below those of comparable **federal government** positions. The minimum salaries for County Government are lower because our

range is broader than the federal range. Also, our annual 3.5 percent service increments make progress through the range faster. The maximum salaries for County Government are themselves substantial and compare favorably with those elsewhere in the region.

9. The table on ©A41 shows that again last year the average County Government total pay increase (6.5 percent) substantially exceeded the average increases cited in four regional or national surveys by professional firms. The table projects a similar differential for 2008.

Agency Pay Increase Requests

The agency requests for FY09 increments and GWAs listed on page 8 reflect in part the provisions of new or existing contracts. Agreement on increases for some employees of the College and M-NCPPC has not yet been reached. At its next worksession the Committee will consider whether to support the required funding for these agency requests. The Committee will also consider whether to support the proposed FY08 County Government salary schedules listed on ©29-36.

These schedules are (in order) for non-represented employees, the Management Leadership Service, seasonal employees, Medical Doctors, the MCGEO OPT and SLT units, Sheriff Management, Deputy Sheriffs, the IAFF, Fire and Rescue Management, Police Management, the FOP, Uniformed Correctional Management, and Uniformed Correctional Officers.

SUMMARY OF FY09 AGENCY PAY INCREASE REQUESTS
Increments and General Wage Adjustments (% Increase)

Agency	Increments For Eligible Employees	General Wage Adjustments
County Government		
MCGEO units	3.5	4.5[1]
FOP	3.5	4.0
IAFF	3.5	2.0 + 2.0[2]
Non-represented	3.5	4.5[3]
M-NCPPC		
MCGEO units	3.5	3.25
Non-represented	3.5	TBD[4]
FOP	3.5	TBD[5]
Montgomery College		
Faculty	$2,242[6]	5.5
Administration	TBD	TBD
Staff (non-bargaining)	3.0	5.0
Staff (AFSCME)	3.0	5.0
MCPS		
MCEA	1.5-3.9	5.0
MCAASP	3.0	5.0
SEIU Local 500	1.9-5.5	5.0
WSSC	3.0[7]	3.5

For specific details, see the tables on ©77-110 of this packet.

[1] Additional adjustments for Bus Operators, Correctional Officers, and Deputy Sheriffs, plus longevity increases
[2] 2.0 percent in 7/08 and 2.0 percent more in 1/09
[3] Plus performance-based longevity increases and lump-sum awards
[4] The Commission will decide in June. The current planning assumption is 3.25 percent.
[5] Tentative agreement on a new three-year contract has been reached. Formal approval is pending.
[6] Lump sum payment
[7] For non-represented employees, a new Performance Management System will tie increases to performance appraisals. For represented employees, the contract with AFSCME is being negotiated. WSSC salaries are affected by merit increases, lump-sum incentive pay, and/or flexible worker pay, plus IT bonus pay (contract employees).

II. RETIREMENT ISSUES

Important points on the County Government retirement program are as follows:

1. The FY09 budget on ©28 for the County Government's defined benefit plan, the Employees' Retirement System, projects $110.0 million as the County contribution. This is a **decrease** of $3.0 million (2.7 percent) from the FY08 approved amount, thanks to improved investment returns. The County contribution in FY00 was $44.3 million, less than half as much.

The key factors each year are the return on pension fund assets, any benefit improvements included in collective bargaining agreements, any change in actuarial assumptions, and actual plan experience versus projections. Recent years have seen continuous increases, sometimes large: $2.4 million (2.2 percent) in FY08, $3.1 million (2.8 percent) in FY07, $8.3 million (10.7 percent) in FY06, $15.5 million (25.1 percent) in FY05, $9.5 million (17.1 percent) in FY04, and $16.4 million (41.8 percent) in FY03. In earlier years there were much smaller changes, with the FY02 amount down and the FY01 amount up.

2. During the 1990s the return on County pension fund assets was well above the plan's 8.0 percent annual actuarial return assumption, but that changed with the sharp market decline of 2000-2002. The County's actuarial consultant applies five-year smoothing to the fund's returns to even out gains and losses. The large gains of the mid and late 1990s reduced the required County contribution to the fund, but the early years of this decade were quite different.

The FY09 contribution rates are shown on ©27. This table is worth close attention. While the rates are down from FY08, they remain at high levels as percentage of salary, ranging from **21.3 percent** for the non-public safety mandatory integrated plan to **32.5 percent** for the mandatory integrated public safety plans and **80.2 percent** for the optional non-integrated public safety plans.

The market rebound of the past four years, combined with the superior relative investment performance of the ERS, may help improve this picture in the future, but the current year – with the first quarter of 2008 showing the worst stock market returns in nearly five years – will hurt. The ERS has consistently ranked in the top quartile of similar funds, and sometimes even higher, but poor market conditions still have large impact.

3. The other key factor is negotiated improvements in pension benefits. In the last decade, all three unions have secured major improvements, including larger pension multipliers, lower benefit reductions at integration with social security, and, for the IAFF, 20-year retirement at 50 percent of average final earnings.

The combined impact of these pension changes and market conditions is large. For example, MCFRS retirement costs are up from $9.1 million in FY00 to $36.7 million in FY08. For Police the increase is from $12.7 million to $35.6 million.

There are additional pension improvements this year. The FOP reopener provides for an increase in maximum credited service from 30 to 36 years (including sick leave), an unreduced pension with 25 years of service at any age, and a maximum benefit of 86.4 percent of final earnings for veteran officers rather than the current 76 percent. The reopener also creates a permanent **Deferred Retirement Option Plan (DROP)** that enables employees who are at least 46, and have at least 25 years of credited service, to elect to retire, but continue to work for a maximum of 3 years. Neither they nor the County make additional pension contributions during the DROP period. The pension payments they would have received if they had retired are placed in a DROP account, invested in fund options selected by the Board of Investment Trustees. The account is paid out upon retirement. The fiscal impact of these changes in FY10 is **$803,000**, including $502,000 for the DROP and $291,000 for the higher maximum service credit.

The MCGEO reopener improves the social security integration multiplier from 1.25 percent to 1.65 percent for deputy sheriffs and corrections officers in the defined benefit plan. The cost in FY10 is **$753,000**.

4. The FY07 annual report from the Board of Investment Trustees on the County's three retirement plans (see ©43-51) shows on ©49 that as of June 30, 2007 the ERS was **79.5 percent** funded on an actuarial basis, which includes the five-year smoothing of results. (The current national average for state pension plans is 90 percent.) As the excerpt from Mercer's 2007 Actuarial Valuation Report shows on ©52, this is down from **98.9 percent** in FY00. The current unfunded liability is $631 million. The benefits improvements described above account for most of the difference between the ERS' current funded ratio and the national average.

The investment returns for the past four years, as noted above, should help improve the funded ratio over time, but the costs of future negotiated agreements will work in the opposite direction. Raising the funded ratio to at least the national average would require one of two things: future investment returns that are consistently much higher than historical returns, or a further sharp increase in the County's annual contribution to the plan.

5. The picture for the County's defined contribution plan, the **Retirement Savings Plan**, is quite different. The RSP, which includes non-public safety employees hired since October 1, 1994 (plus a small number of public safety employees), now has more than 4,000 members. The County's total FY09 contribution is $19.5 million, up $7.2 million (58.5 percent) from FY08.

One reason is increased plan enrollment. The key reason comes from the MCGEO reopener. It provides for an increase of 2 percent of salary (from 6 to 8 percent) in the County contribution to the RSP. Another key provision in the reopener, as noted above, would give RSP members and new employees a one-time option, starting in July 2009, to transfer to a new Guaranteed Retirement Income Plan (GRIP). See page 2 of this memo.[1]

[1] The employee contribution to the RSP or the GRIP would also rise, from 3 to 4 percent up to the FICA maximum and from 6 to 8 percent above it. Also, employees would need to have 180 days of employment before becoming eligible to participate in either the RSP or the GRIP. As noted on page 3 above, the County Attorney and Council attorneys are reviewing questions about the legally permissible level of the GRIP return.

6. The three investment-related retirement plan budgets that have been reviewed and approved by the Board of Investment Trustees are on ©28. The FY09 budgets for the Deferred Compensation Plan, the Employees' Retirement System, and the Retirement Savings Plan include charges from OHR, Finance, and the County Attorney's Office. The Committee will review these budgets separately. Mr. Sherer has prepared the packet for this review.

III. COUNTY GOVERNMENT COMPENSATION-RELATED NDAs

The FY09 recommended budget contains six compensation-related Non-Departmental Accounts. The first three are hardy perennials that require little comment.

1. Judges' Retirement Contributions NDA

A description of this NDA is on ©53. The recommended amount for FY09 is $3,740, the same as for FY08.

2. State Positions Supplement NDA

A description of this NDA is on ©55. The recommended amount for FY09 is $144,950. The FY08 amount was $119,330.

3. State Retirement Contribution NDA

A description of this NDA is on ©56. The recommended amount for FY09 is $934,920. The FY08 amount was $890,580.

4. Group Insurance for Retirees NDA

A description of this NDA is on ©53. The recommended amount for FY09 is $25,725,330. The FY08 amount was $24,810,190. This account has fluctuated both up and down over time. The recommended FY09 allocation is discussed further in the section below on group insurance.

5. Compensation and Employee Benefits Adjustments NDA

A description of this NDA is on ©54. The recommended amount for FY08 is a negative $1,567,930. The FY08 amount was $3,565,090. Each year this NDA captures several separate personnel-related adjustments. This year's adjustments, including a comparison with FY08, are outlined on ©57. The key difference is the projected savings of $5 million from the proposed **Retirement Incentive Plan**. See page 4 of this memo.

6. Retiree Health Benefits Trust

A description of this NDA, which has a much improved name compared to last year's ("Other Post Employment Benefits"), when it first appeared, is on ©55. The recommended amount for FY09, $19,571,930, is for the General Fund. The FY08 amount was $12,067,320. Other County Government and outside agency contributions are detailed on ©24.

This cost is related to the disclosure standard in GASB Statement No. 45 on Other Post Employment Benefits, chiefly retiree health benefits. On April 1 the Council approved creation of a trust for County Government. One year ago the Council approved a five-year schedule to phase in full funding of these obligations. See ©58-59. This year the Executive proposed an eight-year schedule instead. See page 3 of this memo. Also see the proposed funding schedule on ©17 and the Executive's memo on ©60-63 strongly advising against further extending this schedule. The Council will need to amend last year's resolution to modify the funding schedule.

IV. GROUP INSURANCE

During the past several years the Committee has devoted extensive time and effort to group insurance issues. The Committee has met regularly with an **interagency benefits group** that has provided valuable assistance and taken action in several areas.

Starting in FY03, issues addressed by the Committee and the benefits group include **joint bidding** of group insurance contracts to reduce costs, implementation of the **joint long-term care insurance** program, providing coverage for **out-of-area retirees**, and the option to **take or waive coverage** year-by-year.

The list of issues addressed also includes implementation of the **re-election opportunity** for County Government retiree group insurance and a revised **MCPS retiree health insurance program**. In addition, three major Council resolutions resulted from the work of the Committee and the benefits group: **Policy Guidance for Agency Group Insurance Programs** (December 2003), **Establishing a Voluntary Program for Securing Safe, High Quality, Lower-Priced Prescription Maintenance Drugs for Employees and Retirees of County and Bi-County Agencies** (September 2004), and **Establishing a Countywide Prescription Drug Discount Card Program** (October 2004).

The Committee's work on GASB OPEB issues started five years ago. The benefits group members joined with agency finance, budget, and legal staff to form the Multi-Agency OPEB Work Group, which has worked closely and productively with the Committee.

Group Insurance Costs in FY09

All agencies continue to address sharply rising group insurance costs. For example, County Government made major plan design changes for 2005, including a new CareFirst Standard Option POS, carve-out of prescription drug coverage from the CareFirst and Optimum Choice plans, and an employee-plus-one option for Choice plan members.

For FY09 there will be prescription drug savings from agreements with the three bargaining units, also affecting non-represented and retired employees. The County contribution is fixed to 80 percent of the standard option; employees may buy-up at their own cost. There are incentives for mail order and generic drugs. High option co-payments remain at $4/8 for

MCGEO and the IAFF but rise to $5/10 for the FOP and for non-represented and retired employees.

Total projected FY09 savings from this change are $1,308,530. Of this amount, $471,370 is projected to come from retired employees, who have not yet been briefed on the change. OHR has scheduled a briefing for MCREA on April 30. We have requested an analysis of the components of the projected savings.

Over the past decade rate adjustments have ranged from a 5.3 percent decline in 2000 to a 26.0 percent increase in 2002. This year's overall increase is 4.3 percent, with the usual variation among plans. Use of fund balance above the 5 percent target helped to mitigate the increase. Last year's increase overall increase was 6.0 percent.

Private sector premiums rose on average by 6.1 last year and are projected to rise by 6.7 percent this year. The average cost increase for plans for federal employees was just 1.6 percent last year and 2.1 percent this year. OPM held down the increases in both years by drawing on reserves and having employees pay more for some deductibles.

For County Government, the current projection for the average annual increase in FY09-14 is 8.8 percent. The comparable six-year projections one, two, three, and four years ago were 10.7, 9.5, 7.3, and 11.0 percent.

The FY09-14 fiscal projection for the **Employee Health Benefits Self Insurance Fund**, which serves as a premium stabilization reserve, is on ©64. The summary of expenditures and revenues is on ©65. The crosswalk between the appropriation for FY08 ($151,126,430) and FY09 ($162,276,190) is on ©66.

One item in the crosswalk is a savings of $40,000 from not printing and mailing the Total Compensation Statements that OHR prepares for employees. These statements, which are well regarded by employees, will instead be made available online.

The agencies' FY09 tax supported costs for group insurance for **retired** employees are listed in the tables on ©1-15. The pay-as-you-go amounts total $66.0 million, up 3.3 percent from FY08. The tables show $24.8 million for County Government (up 3.6 percent), $38.4 million for MCPS (up 2.9 percent), $2.5 million for the College (no increase), and $1.4 million for M-NCPPC (up 16.4 percent). The new OPEB pre-funding costs are separate. See ©24.

The tax supported costs for **active** employees are also in the individual agency tables. The total is $276.9 million, up 6.5 percent from FY08. The tables show $80.7 million for County Government (up 11.6 percent), $179.6 million for MCPS (up 4.5 percent), $11.2 million for the College (almost no increase), and $5.4 million for M-NCPPC (up 15.9 percent).

WSSC's rate-supported costs for group insurance are $9.4 million for active employees (up 3.5 percent) and $13.6 million for retired employees (up 10.7 percent).

After budget the Committee can review two issues it has considered in the past. One issue is **high-deductible and consumer-driven plans**. Such options are controversial, and the agencies have not pursued them. But Consumer Check's guide to federal health plans, which includes these options, says they are worth a second look. The other issue is **next steps on retiree health insurance costs**. On November 27, 2007 the Committee discussed options for limiting liability and suggestions from our actuarial consultant. See ©67-71. Given the huge fiscal impact of these costs, this issue should return soon to the Committee's agenda.

V. OTHER COMPENSATION ISSUES

A. Agency Analysis of Personnel Management

Each agency has prepared again this year a report on its workforce containing data that are comparable (but not necessarily identical) to the information provided in the County Government's Personnel Management Review. Material of this kind is a valuable adjunct to the agency personnel information that comes from budget documents and Council staff data requests. Agency responses appear in the **appendix** to this packet, which can be found on the Council's web site[1] and in a limited number of hard copies. Agency staff have worked hard to assemble these displays of personnel information, and their efforts again deserve recognition.

This year the **County Government** again prepared a PMR like the ones it first issued in the 1991-94 period (see ©A1-41). The PMR, prepared by OHR, has consistently provided useful basic information on the merit system employment profile, turnover, and wage and salary comparability. In this year's PMR the information is once again clearly presented and readily understandable. The comparative information on salaries (see ©A30-41) is especially useful; some of it is cited in the earlier discussion here of pay changes in the County and the region. Other useful information includes turnover data on the 584 employees (6.5 percent of the workforce) who left County Government service in 2007 (see ©A26-28). There are again data on temporary and seasonal workers (see ©A22-24), who are represented by MCGEO.

M-NCPPC again prepared a detailed Personnel Management Review, which it initiated in 1995. This PMR (see ©A42-188) covers personnel data affecting both counties and is a comprehensive and highly informative document. Its clearly presented data and excellent graphics provide detailed information about the full range of workforce issues and personnel policies. This year's edition again provides expanded data by department and for seasonal, intermittent, temporary, and term employees.

WSSC again prepared a Human Resources Management Review that contains new and comparative data in a number of areas (see ©A189-220). This report, which WSSC initiated in 1995, includes data on such matters as the diversity of WSSC's workforce in 2007: 44.5 percent Caucasian, 46.3 percent African American, 6.1 percent Asian, 2.3 percent Hispanic, and 0.8 percent Native American.

[1] To see the appendix, go to www.montgomerycountymd.gov/council, click on Agendas, Packets, and Actions, and select April 21, 2008, MFP Committee, Compensation and Benefits (Data).

MCPS again provided a Staff Statistical Profile (see ©A221-307), which contains a wide range of useful data – for example, salary and turnover data that were helpful in 2006 in the Council's review of the Superintendent's request to improve pensions for MCPS employees.

The **College** again provided a Personnel Profile (see ©A308-315). This brief report contains useful graphics and more detailed information on group insurance benefits and composition of faculty and staff.

After budget the Committee can resume its review of how these documents can be made even more informative and useable. Last year the Committee reviewed two OLO reports that relate to this question: 2007-7, *Linking MCPS Workforce Data to Council Decision-Making* (April 2007) and 2007-3, *The Presentation of Workforce Information in Budget Documents* (December 2006). Minutes of the Committee's review of these reports and related issues on June 25, 2007 are on ©72-73. Mrs. Praisner's July 10, 2007 memo to OMB Director Beach on ©74-75 raises several follow-up issues. Mr. Sherer's packet for the Committee meeting on September 17, 2007 shows that OMB has acted on most of these issues.

B. Employee Awards and Tuition Assistance

In past briefings on compensation, the Committee has examined such programs as County Government leave awards, M-NCPPC's employee recognition program, WSSC's merit pay system, and performance-based pay. The Committee has also reviewed tuition assistance issues.

The Committee's review of employee awards and tuition assistance is reflected in the 2001 rewrite of the County Government Personnel Regulations. Section 13 deals in detail with a range of awards programs, on which OHR reports annually.[1] Section 14 deals with tuition assistance, including detailed new criteria. FY08 costs and FY09 requests are as follows:

	Employee Awards		**Tuition Assistance**	
	FY08	**FY09**	**FY08**	**FY09**
County Government	see ©76	TBD	$ 651,800	$ 700,880
MCPS	none	none	2,588,844	3,488,844
Montgomery College	$ 70,000	$ 75,000	600,000	675,000
M-NCPPC	174,900*	126,000	38,500*	36,000
WSSC	121,400	121,200	100,000	150,000

*Montgomery County only

[1]This report does not include performance-based pay awards for employees in the Management Leadership Service or for non-represented employees. Eight years ago County Government also began the *Montgomery's Best* honors awards, which are based on recognition rather than cash awards. The program's purpose is to "recognize exceptional efforts by individuals, teams, and organizations to support the County's guiding principles and programs."

C. Additional Compensation Information

1. Annual Leave Cash Out. Under the 2001 Personnel Regulations the Chief Administrative Officer, subject to budget limitations, may authorize employees to cash out part of their accrued annual leave in excess of the annual carry-over limit. For FY02-04 the CAO decided that because of the County's fiscal situation there would be no annual leave cash out.

For FY05 the CAO authorized a cash-out of 30 percent. The cost was $368,245 for 385 employees. For FY06 the CAO authorized a cash-out of 50 percent. The cost was $812,731 for 482 employees. For FY07 the CAO again authorized a cash-out of 50 percent. The cost was $1,092,439 for 630 employees. For FY08, given the fiscal situation, there was no cash-out.

2. Testimony. During the course of the Council's five public hearings on the FY09 operating budget on April 7-10, a number of speakers addressed compensation issues. Councilmembers have copies of this testimony and also of all correspondence related to compensation.

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TAX SUPPORTED SALARIES AND BENEFITS BY AGENCY
(FY08 Approved and FY09 Agency Requests)

Agency	FY	Total Compensation Active Employees	Retiree Benefits	Total Compensation	Agency budget without debt service	Total Compensation as % of Budget
County Government	FY08	803,937,500	36,877,510	840,815,010	1,260,592,540	66.7%
	FY09	816,801,450	45,297,260	862,098,710	1,281,388,700	67.3%
% Change		1.6%	22.8%	2.5%	1.6%	
MCPS	FY08	1,600,874,790	53,370,767	1,654,245,557	1,851,742,727	89.3%
	FY09	1,705,188,547	70,479,298	1,775,667,845	1,978,222,425	89.8%
% Change		6.5%	32.1%	7.3%	6.8%	
College	FY08	151,858,541	3,106,400	154,964,941	196,667,872	78.8%
	FY09	166,320,071	3,712,800	170,032,871	215,035,603	79.1%
% Change		9.5%	19.5%	9.7%	9.3%	
MNCPPC	FY08	75,407,114	2,292,286	77,699,400	104,508,900	74.3%
	FY09	87,463,387	3,609,963	91,073,350	129,743,450	70.2%
% Change		16.0%	57.5%	17.2%	24.1%	
TOTAL	FY08	2,632,077,946	95,646,963	2,727,724,908	3,413,512,039	79.9%
	FY09	2,775,773,456	123,099,321	2,898,872,777	3,604,390,178	80.4%
Amount Change		143,695,510	27,452,358	171,147,868	190,878,139	
% Change		5.5%	28.7%	6.3%	5.6%	

(1)

TAX SUPPORTED WORKYEARS, WAGES AND BENEFITS BY AGENCY
(FY08 Approved and FY09 Agency Requests)

Benefits are social security, retirement, and group insurance

I. Active Employees

Agency	FY	WY	Wages	Benefits	Total comp for Active empl
County Government	FY08	8,547	569,700,980	234,236,520	803,937,500
	FY09	8,370	576,182,120	240,619,330	816,801,450
% Change		-2.1%	1.1%	2.7%	1.6%
MCPS	FY08	19,571	1,276,960,747	323,914,043	1,600,874,790
	FY09	19,783	1,363,737,137	341,451,410	1,705,188,547
% Change		1.1%	6.8%	5.4%	6.5%
College	FY08	1,653	128,082,685	23,775,856	151,858,541
	FY09	1,743	140,576,707	25,743,364	166,320,071
% Change		5.5%	9.8%	8.3%	9.5%
MNCPPC	FY08	950	59,676,677	15,730,437	75,407,114
	FY09	1,001	69,217,929	18,245,458	87,463,387
% Change		5.4%	16.0%	16.0%	16.0%
TOTAL	FY08	30,721	2,034,421,089	597,656,857	2,632,077,945
	FY09	30,898	2,149,713,893	626,059,563	2,775,773,456
% Change		0.6%	5.7%	4.8%	5.5%

****

II. Retiree Benefits: Group insurance

					Total
County Government	FY08				36,877,510
	FY09				45,297,260
% Change					22.8%
MCPS	FY08				53,370,767
	FY09				70,479,298
% Change					32.1%
College	FY08				3,106,400
	FY09				3,712,800
% Change					19.5%
MNCPPC	FY08				2,292,286
	FY09				3,609,963
% Change					57.5%
TOTAL	FY08				95,646,963
	FY09				123,099,321
% Change					28.7%

2

SELECTED COMPENSATION DATA, FY09 REQUESTS

Item	County Government	MCPS	College	MNCPPC	Total
Cost of General Wage Adjustment (wages, social security, retirement)	31,430,863	71,658,744	6,230,974	2,682,200	112,002,781
Cost of other Wage Adjustment (wages, social security, retirement)	0	9,600	0	0	9,600
Cost per 1% General Wage Adjustment (wages, social security, retirement)	6,539,906	14,331,748	1,246,195	820,900	22,938,749
Cost per furlough day (wages, social security, retirement)	2,851,930	6,679,188	647,898	314,400	10,493,416
Cost of increments for employees not at top of grade (wages, social security, retirement)	5,859,188	27,011,133	2,354,578	1,877,600	37,102,499
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	1,674,054	7,742,807	784,859	574,600	10,776,320

	A	B	C	D	E	F
1	COUNTY GOVERNMENT WAGES, SOCIAL SECURITY, and RETIREMENT					
2	TAX SUPPORTED FUNDS, FY08 BUDGET AND FY09 REQUEST					
3	"Other" costs below are costs not collected by bargaining unit, such as overtime, shift differential, and temporary/seasonal employees budgeted in group positions.					
4	**Tax Supported Funds, FY08 Approved Budget**	MCGEO	IAFF	FOP	Non Represented	TOTAL
5	Filled positions, tax and non-tax supported, December 31, 2006	4,250	1,003	1,039	2,383	8,675
6	Percent of total	49.0%	11.6%	12.0%	27.5%	100.0%
7						
8	Workyears (bargaining units estimated)	4,187	988	1,024	2,348	8,547
9						
10	**Active employees:**					
11	Wages					542,864,695
12	Social Security					42,083,550
13	Retirement					119,898,850
14	Group insurance for active employees					72,254,120
15	Subtotal	305,731,772	130,877,403	128,743,721	211,748,319	777,101,215
16	Other					26,836,285
17	Total compensation for active employees	305,731,772	130,877,403	128,743,721	211,748,319	803,937,500
18	**Retiree benefits: group insurance**					
19	Pay as you go amount					24,810,190
20	First year phase in of OPEB					12,067,320
21	Total compensation for retired employees					36,877,510
22						
23	Total compensation for active and retired employees	305,731,772	130,877,403	128,743,721	211,748,319	840,815,010
24		39%	17%	17%	27%	100%
25	Operating budget without debt service					1,260,592,540
26						
27	Total compensation as % of total operating budget					66.7%
28						
29						
30	% General Wage Adjustment	4.00%	5.00%	$3,151*	4.00%	NA
31	Cost of General Wage Adjustment (wages, social security, retirement)	10,098,996	5,580,227	8,131,659	7,619,981	31,430,863
32	Cost of other Wage Adjustment (wages, social security, retirement)					0
33	Cost per 1% General Wage Adjustment (wages, social security, retirement)	2,524,749	1,116,045	1,084,221	1,814,890	6,539,906
34	Cost per furlough day (wages, social security, retirement)	911,921	839,324	421,379	679,306	2,851,930
35	Cost of increments for employees not at top of grade (wages, social security, retirement)	2,683,244	848,372	1,284,212	1,043,360	5,859,188
36	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	766,641	242,392	366,918	298,103	1,674,054
37	*$3,151 salary schedule adjustment to starting pay for Police Officers.					

	A	B	C	D	E	F
38	**Tax Supported Funds, FY09 Request**	MCGEO	IAFF	FOP	Non Represented	TOTAL
39	Filled positions, tax and non-tax supported, December 31, 2007	4,703	1,091	1,144	2,121	9,059
40	Percent of total	51.9%	12.0%	12.6%	23.4%	100.0%
41						
42	Workyears (bargaining units estimated)	4,345	1,008	1,057	1,960	8,370
43						
44	**Active employees:**					
45	Wages					558,314,613
46	Social Security					43,328,130
47	Retirement					116,609,640
48	Group insurance for active employees					80,681,560
49	Subtotal	317,101,743	133,574,614	133,453,456	214,804,130	798,933,943
50	Other					17,867,507
51	Total compensation for active employees	317,101,743	133,574,614	133,453,456	214,804,130	816,801,450
52	**Retiree benefits: group insurance**					
53	Pay as you go amount					25,725,330
54	Second year phase in of OPEB					19,571,930
55	*Total compensation* for retired employees					45,297,260
56						
57	Total compensation for active and retired employees	317,101,743	133,574,614	133,453,456	214,804,130	862,098,710
58		40%	17%	17%	27%	100%
59	Operating budget without debt service					1,281,388,700
60						
61	Total compensation as % of total operating budget					67.3%
62						
63						
64	% General Wage Adjustment	4.50%	3.0%*	4.00%	4.50%	NA
65	Cost of General Wage Adjustment (wages, social security, retirement)	11,777,765	3,430,536	4,615,059	8,032,807	27,856,167
66	Cost of other Wage Adjustment (wages, social security, retirement)					0
67	Cost per 1% General Wage Adjustment (wages, social security, retirement)	2,617,281	1,143,512	1,153,765	1,822,147	6,736,705
68	Cost per furlough day (wages, social security, retirement)	937,894	877,025	442,020	690,721	2,947,659
69	Cost of increments for employees not at top of grade (wages, social security, retirement)	2,811,505	783,410	1,194,082	899,044	5,688,041
70	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	803,287	223,832	341,166	256,870	1,625,155
71	* 2.0% July 2008; 2.0% January 2009					

	A	B	C	D	E	F
72	**Amount increase FY08-FY09**	MCGEO	IAFF	FOP	Non Represented	TOTAL
73	Workyears	158	20	33	(388)	(178)
74						
75	**Active employees:**					
76	Wages					15,449,918
77	Social Security					1,244,580
78	Retirement					(3,289,210)
79	Group insurance for active employees					8,427,440
80	Subtotal					21,832,728
81	Other					(8,968,778)
82	Total compensation for active employees	11,369,972	2,697,211	4,709,735	3,055,811	12,863,950
83	**Retiree benefits: group insurance**					
84	Pay as you go amount					915,140
85	Phase in of the Annual Required Contribution					7,504,610
86	Total compensation for retired employees					8,419,750
87						
88	Total compensation for active and retired employees					21,283,700
89						
90						
91	**Percent increase FY08-FY09**					
92	Workyears	3.71%	1.97%	3.20%	-16.30%	-2.05%
93	**Active employees:**					
94	Wages					2.85%
95	Social Security					2.96%
96	Retirement					-2.74%
97	Group insurance for active employees					11.66%
98	Subtotal					2.81%
99	Other					-33.42%
100	Total compensation for active employees	3.72%	2.06%	3.66%	1.44%	1.60%
101	**Retiree benefits: group insurance**					
102	Pay as you go amount					3.69%
103	Phase in of the Annual Required Contribution					62.19%
104	Total compensation for retired employees					22.83%
105						
106	Total compensation for active and retired employees					2.53%

	A	B	C	D	E	F
1	MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT					
2	TAX SUPPORTED FUNDS, FY08 BUDGET AND FY09 REQUEST					
3						
4	Tax Supported Funds, FY08 Approved Budget	MCAASP	MCEA	SEIU	Non Represented	TOTAL
5	Workyears	699.000	11,373.540	7,299.015	199.250	19,570.805
6	**Active employees:**					
7	Wages	82,341,022	878,495,538	297,310,336	18,813,851	1,276,960,747
8	Social Security	6,160,641	65,727,764	22,244,323	1,407,632	95,540,360
9	Retirement	3,647,601	38,916,167	13,170,441	833,435	56,567,644
10	Group insurance for active employees	6,136,305	99,845,119	64,075,469	1,749,146	171,806,039
11	Total compensation for active employees	98,285,569	1,082,984,588	396,800,569	22,804,064	1,600,874,790
12	**Retiree benefits: group insurance**					
13	Pay as you go amount					37,310,767
14	First year phase in of OPEB					16,060,000
15	Total compensation for retired employees					53,370,767
16						
17	Total compensation for active and retired employees	98,285,569	1,082,984,588	396,800,569	22,804,064	1,654,245,557
18						
19	Operating budget without debt service	NA	NA	NA	NA	1,851,742,727
20						
21	Total compensation as % of total operating budget	NA	NA	NA	NA	89.3%
22						
23						
24	% General Wage Adjustment	4.80%	4.80%	4.80%	4.80%	NA
25	Cost of General Wage Adjustment (wages, social security, retirement)	4,253,100	42,998,015	15,716,907	811,014	63,779,036
26	Cost of other Wage Adjustment (wages, social security, retirement)	330,100	1,718,000	916,000	0	2,964,100
27	Cost per 1% General Wage Adjustment (wages, social security, retirement)	954,833	9,315,836	3,465,189	168,961	13,904,819
28	Cost per furlough day (wages, social security, retirement)	249,901	4,365,842	1,450,355	80,907	6,147,005
29	Cost of increments for employees not at top of grade (wages, social security, retirement)	871,529	17,259,735	5,308,868	111,304	23,551,436
30	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	290,510	4,917,303	1,411,933	30,736	6,650,482

	A	B	C	D	E	F
31	Tax Supported Funds, FY09 Request	MCAASP	MCEA	SEIU	Non Represented	TOTAL
32	Workyears	708.000	11,496.300	7,408.001	171.000	19,783.301
33	**Active employees:**					
34	Wages	88,519,452	936,694,509	321,936,257	16,586,919	1,363,737,137
35	Social Security	6,647,011	70,222,802	24,129,216	1,248,111	102,247,140
36	Retirement	3,881,892	40,959,814	14,071,557	730,048	59,643,311
37	Group insurance for active employees	6,426,084	104,344,906	67,237,906	1,552,063	179,560,959
38	Total compensation for active employees	105,474,439	1,152,222,031	427,374,936	20,117,141	1,705,188,547
39	**Retiree benefits: group insurance**					
40	Pay as you go amount					38,359,298
41	Second year phase in of OPEB					32,120,000
42	Total compensation for retired employees					70,479,298
43						
44	Total compensation for active and retired employees	105,474,439	1,152,222,031	427,374,936	20,117,141	1,775,667,845
45						
46	Operating budget without debt service	NA	NA	NA	NA	1,978,222,425
47						
48	Total compensation as % of total operating budget	NA	NA	NA	NA	89.8%
49						
50						
51	% General Wage Adjustment	5.00%	5.00%	5.00%	5.00%	NA
52	Cost of General Wage Adjustment (wages, social security, retirement)	4,747,906	48,704,527	17,335,505	870,806	71,658,744
53	Cost of other Wage Adjustment (wages, social security, retirement)		9,600			9,600
54	Cost per 1% General Wage Adjustment (wages, social security, retirement)	949,581	9,740,905	3,467,101	174,161	14,331,748
55	Cost per furlough day (wages, social security, retirement)	382,254	4,656,562	1,569,042	71,330	6,679,188
56	Cost of increments for employees not at top of grade (wages, social security, retirement)	1,073,826	19,276,690	6,580,503	80,114	27,011,133
57	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	367,749	5,603,689	1,750,134	21,235	7,742,807

	A	B	C	D	E	F
58	Amount increase FY08-FY09	MCAASP	MCEA	SEIU	Non Represented	TOTAL
59	Workyears	9	123	109	(28)	212
60	**Active employees:**					
61	Wages	6,178,430	58,198,971	24,625,921	(2,226,932)	86,776,390
62	Social Security	486,370	4,495,038	1,884,893	(159,521)	6,706,780
63	Retirement	234,291	2,043,647	901,116	(103,387)	3,075,667
64	Group insurance for active employees	289,779	4,499,787	3,162,437	(197,083)	7,754,920
65	Total compensation for active employees	7,188,870	69,237,443	30,574,367	(2,686,923)	104,313,757
66	**Retiree benefits: group insurance**					0
67	Pay as you go amount	0	0	0	0	1,048,531
68	Phase in of the Annual Required Contribution	0	0	0	0	16,060,000
69	Total compensation for retired employees	0	0	0	0	17,108,531
70						
71	Total compensation for active and retired employees	7,188,870	69,237,443	30,574,367	(2,686,923)	121,422,288
72						
73						
74	**Percent increase FY08-FY09**					
75	Workyears	1.29%	1.08%	1.49%	-14.18%	1.09%
76	**Active employees:**					
77	Wages	7.50%	6.62%	8.28%	-11.84%	6.80%
78	Social Security	7.89%	6.84%	8.47%	-11.33%	7.02%
79	Retirement	6.42%	5.25%	6.84%	-12.40%	5.44%
80	Group insurance for active employees	4.72%	4.51%	4.94%	-11.27%	4.51%
81	Total compensation for active employees	7.31%	6.39%	7.71%	-11.78%	6.52%
82	**Retiree benefits: group insurance**					
83	Pay as you go amount					2.81%
84	Phase in of the Annual Required Contribution					100.0%
85	Total compensation for retired employees					
86						
87	Total compensation for active and retired employees	7.31%	6.39%	7.71%	-11.78%	7.34%

MONTGOMERY COLLEGE WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY08 BUDGET AND FY09 REQUEST

	A	B	C	D	E	F
4	Tax Supported Funds, FY08 Approved Budget	AAUP	ACSFME	ADM	ALL OTHER	TOTAL
5	Workyears	570.00	493.10	74.00	516.00	1,653
6	**Active employees:**					
7	Wages 1)	41,836,568	23,023,812	9,225,951	53,996,354	128,082,685
8	Social Security	3,200,497	1,761,322	705,785	4,284,552	9,952,156
9	Retirement		470,329		492,171	962,500
10	Other Benefits (EAP, recognition awards, comp absences, etc)	587,895	508,581	76,323	532,200	1,705,000
11	Group insurance for active employees	3,846,733	3,327,761	499,400	3,482,305	11,156,200
12	Total compensation for active employees	49,471,694	29,091,805	10,507,460	62,787,583	151,858,541
13	**Retiree benefits: group insurance**					
14	Pay as you go amount	862,017	745,720	111,911	780,352	2,500,000
15	First year phase in of OPEB	209,091	180,882	27,145	189,282	606,400
16	Total compensation for retired employees	1,071,108	926,602	139,056	969,634	3,106,400
17						
18	Total compensation for active and retired employees					154,964,941
19						
20	Operating budget without debt service					196,667,872
21						
22	Total compensation as % of total operating budget					78.8%
23						
24						
25	% General Wage Adjustment	5.30%	4.75%	4.75%	4.75%	NA
26	Cost of General Wage Adjustment (wages, social security, retirement)	2,212,680	1,101,605	439,614	1,653,980	5,407,878
27	Cost of other Wage Adjustment (wages, social security, retirement)	NA	NA	NA	NA	0
28	Cost per 1% General Wage Adjustment (wages, social security, retirement)	417,487	231,917	92,550	348,206	1,090,160
29	Cost per furlough day (wages, social security, retirement)	228,615	96,764	38,053	225,184	588,616
30	Cost of increments for employees not at top of grade (wages, social security, retirement)	1,075,708	396,681	198,705	535,135	2,206,228
31	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	358,569	132,227	66,235	178,378	735,409

	A	B	C	D	E	F
32	Tax Supported Funds, FY09 Request	AAUP	ACSFME	ADM	ALL OTHER	TOTAL
33	Workyears	588.00	513.10	75.00	567.25	1,743
34	**Active employees:**					
35	Wages 1)	45,810,180	25,231,137	9,664,504	59,870,886	140,576,707
36	Social Security	3,504,479	1,930,182	739,335	4,751,619	10,925,614
37	Retirement		749,453		828,547	1,578,000
38	Other Benefits (EAP, recognition awards, comp absences, etc)	702,383	607,693	88,697	665,226	2,064,000
39	Group insurance for active employees	3,769,376	3,289,229	480,788	3,636,358	11,175,750
40	Total compensation for active employees	53,786,418	31,807,695	10,973,323	69,752,636	166,320,071
41	**Retiree benefits: group insurance**					
42	Pay as you go amount	850,755	736,063	107,433	805,749	2,500,000
43	Second year phase in of OPEB	412,718	357,079	52,118	390,885	1,212,800
44	Total compensation for retired employees	1,263,473	1,093,141	159,551	1,196,634	3,712,800
45						
46	Total compensation for active and retired employees	55,049,891	32,900,836	11,132,874	70,949,270	170,032,871
47						
48	Operating budget without debt service					215,035,603
49						
50	Total compensation as % of total operating budget					79.1%
51						
52						
53	% General Wage Adjustment	5.50%	5.00%	5.00%	5.00%	NA
54	Cost of General Wage Adjustment (wages, social security, retirement)	2,512,067	1,267,522	484,297	1,967,088	6,230,974
55	Cost of other Wage Adjustment (wages, social security, retirement)	NA	NA	NA	NA	0
56	Cost per 1% General Wage Adjustment (wages, social security, retirement)	502,413	253,504	96,859	393,418	1,246,195
57	Cost per furlough day (wages, social security, retirement)	250,328	106,938	39,861	250,770	647,898
58	Cost of increments for employees not at top of grade (wages, social security, retirement)	1,128,652	439,059	193,320	593,547	2,354,578
59	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	376,217	146,353	64,440	197,849	784,859

	A	B	C	D	E	F
60	Amount increase FY08-FY09	AAUP	ACSFME	ADM	ALL OTHER	TOTAL
61	Workyears	18.00	20.00	1.00	51.25	90.25
62	**Active employees:**					
63	Wages 1)	3,973,612	2,207,325	438,553	5,874,532	12,494,022
64	Social Security	303,981	168,860	33,549	467,067	973,458
65	Retirement	0	279,124	0	336,376	615,500
66	Other Benefits (EAP, recognition awards, comp absences, etc)	114,488	99,112	12,374	133,026	359,000
67	Group insurance for active employees	(77,357)	(38,532)	(18,613)	154,052	19,550
68	Total compensation for active employees	4,314,724	2,715,890	465,863	6,965,053	14,461,530
69	**Retiree benefits: group insurance**					
70	Pay as you go amount	(11,262)	(9,657)	(4,478)	25,397	(0)
71	Phase in of the Annual Required Contribution	203,627	176,197	24,973	201,603	606,400
72	Total compensation for retired employees	192,366	166,539	20,495	227,000	606,400
73						
74	Total compensation for active and retired employees	55,049,891	2,882,429	486,358	7,192,053	15,067,930
75						
76						
77	**Percent increase FY08-FY09**					
78	Workyears	3.16%	4.06%	1.35%	9.93%	5.46%
79	**Active employees:**					
80	Wages 1)	9.50%	9.59%	4.75%	10.88%	9.75%
81	Social Security	9.50%	9.59%	4.75%	10.90%	9.78%
82	Retirement	na	59.35%	na	68.35%	63.95%
83	Other Benefits (EAP, recognition awards, comp absences, etc)	19.47%	19.49%	16.21%	25.00%	21.06%
84	Group insurance for active employees	-2.01%	-1.16%	-3.73%	4.42%	0.18%
85	Total compensation for active employees	8.72%	9.34%	4.43%	11.09%	9.52%
86	**Retiree benefits: group insurance**					
87	Pay as you go amount	-1.31%	-1.30%	-4.00%	3.25%	0.00%
88	Phase in of the Annual Required Contribution	97.39%	97.41%	92.00%	106.51%	100.00%
89	Total compensation for retired employees	17.96%	17.97%	14.74%	23.41%	19.52%
90						
91	Total compensation for active and retired employees					9.72%
92						
93	(1) All other includes temps with benefits, student assts, overtime, part-time faculty, hearing interpretors, etc.					

	A	B	C	D	E
1	MNCPPC WAGES, SOCIAL SECURITY, and RETIREMENT				
2	TAX SUPPORTED FUNDS, FY08 BUDGET AND FY09 REQUEST				
3					
4	Tax Supported Funds, FY08 Approved Budget	FOP	MCGEO	Nonrepresented	TOTAL
5	Workyears	72.00	291.00	586.80	950
6	**Active employees:**				
7	Wages	4,523,816	14,564,550	40,588,311	59,676,677
8	Social Security	65,595	1,239,491	2,630,399	3,935,486
9	Retirement	542,358	2,192,031	4,420,220	7,154,609
10	Group insurance for active employees	351,763	1,421,709	2,866,870	4,640,342
11	Total compensation for active employees	5,483,533	19,417,782	50,505,799	75,407,114
12	**Retiree benefits: group insurance**				
13	Pay as you go amount	87,941	355,427	716,717	1,160,086
14	First year phase in of OPEB	85,827	346,884	699,489	1,132,200
15	Total compensation for retired employees	173,768	702,311	1,416,207	2,292,286
16					
17	Total compensation for active and retired employees	5,657,301	20,120,093	51,922,006	77,699,400
18					
19	Operating budget without debt service				104,508,900
20					
21	Total compensation as % of total operating budget				74.3%
22					
23					
24	% General Wage Adjustment				NA
25	Cost of General Wage Adjustment (wages, social security, retirement)	179,600	584,900	1,548,300	2,312,800
26	Cost of other Wage Adjustment (wages, social security, retirement)				0
27	Cost per 1% General Wage Adjustment (wages, social security, retirement)	51,300	180,000	476,400	707,700
28	Cost per furlough day (wages, social security, retirement)	19,700	69,000	182,500	271,200
29	Cost of increments for employees not at top of grade (wages, social security, retirement)	125,700	409,400	1,083,800	1,618,900
30	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	35,900	117,000	309,700	462,600

	A	B	C	D	E
31	Tax Supported Funds, FY09 Request	FOP	MCGEO	Nonrepresented	TOTAL
32	Workyears	76.00	291.00	634.42	1,001
33	**Active employees:**				
34	Wages	5,176,198	16,441,813	47,599,918	69,217,929
35	Social Security	75,055	1,509,256	2,980,390	4,564,701
36	Retirement	578,300	2,284,754	5,435,451	8,298,505
37	Group insurance for active employees	443,914	1,551,369	3,386,968	5,382,252
38	Total compensation for active employees	6,273,467	21,787,192	59,402,728	87,463,387
39	**Retiree benefits: group insurance**				
40	Pay as you go amount	103,770	421,395	820,398	1,345,563
41	Second year phase in of OPEB	171,654	693,768	1,398,979	2,264,400
42	Total compensation for retired employees	275,424	1,115,162	2,219,377	3,609,963
43					
44	Total compensation for active and retired employees	6,548,891	22,902,355	61,622,104	91,073,350
45					
46	Operating budget without debt service				129,743,450
47					
48	Total compensation as % of total operating budget				70.2%
49					
50					
51	% General Wage Adjustment				NA
52	Cost of General Wage Adjustment (wages, social security, retirement)	204,000	657,700	1,820,500	2,682,200
53	Cost of other Wage Adjustment (wages, social security, retirement)				0
54	Cost per 1% General Wage Adjustment (wages, social security, retirement)	58,300	202,400	560,200	820,900
55	Cost per furlough day (wages, social security, retirement)	22,300	77,500	214,600	314,400
56	Cost of increments for employees not at top of grade (wages, social security, retirement)	142,800	460,400	1,274,400	1,877,600
57	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	40,800	141,700	392,100	574,600

	A	B	C	D	E
58	Amount increase FY08-FY09	FOP	MCGEO	Nonrepresented	TOTAL
59	Workyears	4	0	48	52
60	**Active employees:**				
61	Wages	652,382	1,877,263	7,011,608	9,541,252
62	Social Security	9,460	269,765	349,991	629,215
63	Retirement	35,942	92,723	1,015,232	1,143,896
64	Group insurance for active employees	92,151	129,660	520,098	741,909
65	Total compensation for active employees	789,934	2,369,410	8,896,928	12,056,273
66	**Retiree benefits: group insurance**				
67	Pay as you go amount	15,829	65,967	103,681	185,477
68	Phase in of the Annual Required Contribution	85,827	346,884	699,489	1,132,200
69	Total compensation for retired employees	101,656	412,851	803,170	1,317,677
70					
71	Total compensation for active and retired employees	891,590	2,782,261	9,700,098	13,373,950
72					
73					
74	Percent increase FY08-FY09				
75	Workyears	5.56%	0.00%	8.12%	13.67%
76	**Active employees:**				0.00%
77	Wages	14.42%	12.89%	17.27%	44.59%
78	Social Security	14.42%	21.76%	13.31%	49.49%
79	Retirement	6.63%	4.23%	22.97%	33.82%
80	Group insurance for active employees	26.20%	9.12%	18.14%	53.46%
81	Total compensation for active employees	14.41%	12.20%	17.62%	44.22%
82	**Retiree benefits: group insurance**				
83	Pay as you go amount	18.00%	18.56%	14.47%	51.03%
84	Phase in of the Annual Required Contribution	100.00%	100.00%	100.00%	300.00%
85	Total compensation for retired employees	58.50%	58.78%	56.71%	174.00%
86					
87	Total compensation for active and retired employees	15.76%	13.83%	18.68%	48.27%

FY09-14 PUBLIC SERVICES PROGRAM: FISCAL PLAN			CONSOLIDATED FIRE TAX DISTRICT				
FISCAL PROJECTIONS	FY08 ESTIMATE	FY09 CE REC	FY10 PROJECTION	FY11 PROJECTION	FY12 PROJECTION	FY13 PROJECTION	FY14 PROJECTION
ASSUMPTIONS							
Property Tax Rate: Real Property	0.128	0.116	0.108	0.108	0.102	0.096	0.092
Assessable Base: Real Property (000)	142,437,000	158,786,000	173,760,000	187,826,000	200,598,000	214,675,000	230,037,000
Property Tax Collection Factor: Real Property	99.1%	99.1%	99.1%	99.1%	99.1%	99.1%	99.1%
Property Tax Rate: Personal Property	0.315	0.290	0.270	0.270	0.255	0.240	0.230
Assessable Base: Personal Property (000)	3,960,935	4,021,668	4,051,312	4,097,270	4,143,751	4,190,758	4,238,299
Property Tax Collection Factor: Personal Property	97.5%	97.5%	97.5%	97.5%	97.5%	97.5%	97.5%
CPI (Fiscal Year)	3.6%	2.8%	2.4%	2.5%	2.5%	2.5%	2.5%
Investment Income Yield	4.00%	2.50%	3.50%	4.00%	4.50%	4.75%	5.00%
BEGINNING FUND BALANCE	5,649,440	5,874,960	13,128,190	13,674,660	14,679,840	13,488,920	10,210,280
REVENUES							
Taxes	190,020,400	193,905,290	196,836,930	211,812,470	213,070,870	214,039,580	219,233,720
Licenses & Permits	1,950,000	3,200,000	3,277,440	3,359,360	3,443,380	3,529,440	3,617,680
Charges For Services	817,410	8,215,200	15,291,230	15,673,520	16,065,360	16,467,000	16,878,670
Fines & Forfeitures	230	0	0	0	0	0	0
Intergovernmental	3,911,000	2,510,000	2,570,740	2,635,010	2,700,880	2,768,400	2,837,610
Miscellaneous	2,100,000	1,490,000	2,008,710	2,327,930	2,667,380	2,897,060	3,136,990
Subtotal Revenues	198,799,040	209,320,490	219,785,050	235,808,310	237,947,850	239,701,480	245,704,670
INTERFUND TRANSFERS (Net Non-CIP)	(4,337,810)	(8,851,150)	(10,987,790)	(12,797,690)	(12,993,910)	(12,987,380)	(12,300,210)
Transfers To Debt Service Fund	(4,217,060)	(8,730,400)	(10,867,040)	(12,676,940)	(12,873,160)	(12,866,630)	(12,179,460)
GO Bonds	(3,583,440)	(4,176,900)	(6,325,040)	(8,167,710)	(8,413,680)	(8,448,280)	(8,398,860)
Long Term Leases	(633,620)	(4,553,500)	(4,542,000)	(4,509,230)	(4,459,480)	(4,418,350)	(3,780,600)
Transfers To The General Fund	(120,750)	(120,750)	(120,750)	(120,750)	(120,750)	(120,750)	(120,750)
DCM	(120,750)	(120,750)	(120,750)	(120,750)	(120,750)	(120,750)	(120,750)
TOTAL RESOURCES	200,110,670	208,344,300	221,925,460	238,885,280	239,633,780	240,203,020	243,614,740
CIP CURRENT REVENUE APPROP.	(706,000)	0	0	0	0	0	0
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(193,529,710)	(190,716,110)	(190,716,110)	(190,716,110)	(190,716,110)	(190,716,110)	(190,716,110)
Labor Agreement	n/a	n/a	(8,885,660)	(19,294,640)	(19,368,180)	(19,368,180)	(19,368,180)
Annualizations and One-Time	n/a	n/a	588,610	588,610	588,610	588,610	588,610
OBIs	n/a	n/a	(5,296,000)	(5,417,000)	(5,635,000)	(5,635,000)	(5,635,000)
Central Duplicating Deficit Recovery Charge	n/a	n/a	16,080	16,080	16,080	16,080	16,080
Apparatus Replacement	n/a	n/a	(109,830)	513,380	513,380	513,380	513,380
Four Person Staffing	n/a	n/a	(3,847,880)	(7,695,760)	(11,543,640)	(15,391,520)	(19,239,400)
Subtotal PSP Oper Budget Approp / Exp's	(193,529,710)	(190,716,110)	(208,250,790)	(222,005,440)	(226,144,860)	(229,992,740)	(233,840,620)
OTHER CLAIMS ON FUND BALANCE	0	(2,500,000)	0	0	0	0	0
TOTAL USE OF RESOURCES	(194,235,710)	(193,216,110)	(208,250,790)	(222,005,440)	(226,144,860)	(229,992,740)	(233,840,620)
YEAR END FUND BALANCE	5,874,960	13,128,190	13,674,660	14,679,840	13,488,920	10,210,280	9,774,120
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	2.9%	6.4%	6.2%	6.2%	5.6%	4.3%	4.0%

Assumptions:
1. The tax rates for the Consolidated Fire Tax District are adjusted to maintain a fund balance of approximately 2 percent of resources.
2. The labor contract with the International Association of Fire Fighters, Local 1664 expires at the end of FY11.
3. The labor contract with the Municipal and County Government Employees Organization, Local 1994 expires at the end of FY10.
4. These projections are based on the Executive's Recommended Budget and include negotiated labor agreements, the operating costs of capital facilities, the fiscal impact of approved legislation or regulations, and other programmatic commitments. They do not include inflation or unapproved service improvements. The projected future expenditures, revenues, and fund balance may vary based on changes to fee or tax rates, usage, inflation, future labor agreements, and other factors not assumed here.
5. The costs of capital facilities will be included in future budgets as projects are completed and their costs defined. Implementation of additional phases of the Four-Person Staffing initiative will be reviewed annually.

RETIREE HEALTH BENEFITS PRE-FUNDING ON AN EIGHT-YEAR SCHEDULE

Agency	2009	2010	2011	2012	2013	2014	2015	Total over Future 7 years
8-Year Phase-In County	$ 23,000,000	$ 39,000,000	$ 55,000,000	$ 71,000,000	$ 87,000,000	$103,000,000	$115,000,000	$ 493,000,000
MCPS	29,000,000	48,000,000	67,000,000	86,000,000	105,000,000	124,000,000	138,000,000	597,000,000
College	900,000	1,600,000	2,300,000	3,000,000	3,700,000	4,400,000	4,700,000	20,600,000
M-NCPPC (MCG portion - 45%)	2,250,000	3,600,000	5,400,000	6,750,000	8,550,000	9,900,000	11,250,000	47,700,000
Subtotal - Tax Supported Agencies	55,150,000	92,200,000	129,700,000	166,750,000	204,250,000	241,300,000	268,950,000	1,158,300,000
WSSC	-	-	-	-	-	-	-	-
Total	$ 55,150,000	$ 92,200,000	$129,700,000	$166,750,000	$204,250,000	$241,300,000	$268,950,000	$1,158,300,000

OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

March 25, 2008

TO: Michael J. Knapp, Council President

FROM: Joseph F. Beach, Director, Office of Management and Budget

SUBJECT: Expedited Bill, Retirement Incentive Plan

The purpose of this memorandum is to transmit a fiscal impact statement to the Council on the subject legislation.

LEGISLATION SUMMARY

The expedited bill amends the Employees' Retirement System to provide for a one-time retirement incentive program for Group A and Group H members who are either eligible for normal retirement, or eligible for early retirement and within 2 years of normal retirement eligibility. In his recommended FY09 budget, the County Executive indicated that he intended to offer a retirement incentive plan that would generate an estimated $5 million in savings resulting from downsizing of the government. It is expected that 54 positions will be abolished as a result of the incentive program. The proposed incentive would provide a $25,000 payment to eligible plan participants, paid either in a lump sum, or over time. In addition, the plan would waive early retirement penalties for anyone within one year of normal retirement and reduce the penalty for anyone who would be retiring between one and two years early. There is a pool of 828 members who would be eligible for the incentive, and the expedited bill would cap incentive payments to 20 percent of eligible members. Should more than 20 percent of eligible members seek incentive payments, eligibility would be based on seniority.

FISCAL SUMMARY

The legislation is expected to result in $5 million in savings in FY09, and savings of between $1.5 million and $2.5 million in FY10, depending on how many employees elect the benefit. Savings estimates assume that 15 percent of members eligible for normal retirement and 10 percent of members eligible for early retirement elect the benefit – a total of 108 employees. The estimates assume the average salary and benefit levels for those eligible, and further assume that all retirements are effective July 1, 2008.

Cost of the program will be paid from the Employees Retirement System and will be amortized over a 10 year period. The attached spreadsheet summarizes the cost and savings.

Office of the Director

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The plan actuary estimates that the actuarial accrued liability of the plan will increase by $13.2 million. This will have a negligible effect on the funded status of the plan.

Douglas Rowe, FSA, the pension plan's actuary and G. Wesley Girling with the Office of Human Resources contributed to and concurred with this analysis.

JFB:lob

cc: Timothy L. Firestine, Chief Administrative Officer
Kathleen Boucher, Assistant Chief Administrative Officer
Rebecca Domaruk, Offices of the County Executive
G. Wesley Girling, Benefits Manager, Office of Human Resources

Employees Eligible For Normal Retirement
$25,000 Payment

Assumptions:

Applies to Group A and H
Total Eligible - 525
Retirement Effective 7/1/08
Average Salary - $75,000
Cost amortized over 10 years
15 percent of eligibles elect to retire (78 people)
New Hires @ $56,000
New Hire Benefits $18,000

Half of positions remain unfilled	Year 1	Year 2	Year 3	Year 4	Year 5
Salary Savings	($5,968,355)	($5,968,355)	($5,968,355)	($5,968,355)	($5,968,355)
Normal Pension Cost Savings	$ (647,515)	$ (647,515)	$ (647,515)	$ (647,515)	$ (647,515)
Gross Savings	($6,615,870)	($6,615,870)	($6,615,870)	($6,615,870)	($6,615,870)
Amortized Pension Cost	$0	$ 1,283,176	$ 1,283,176	$ 1,283,176	$ 1,283,176
New Hire Salary Cost (39 People)	$2,184,000	$2,184,000	$2,184,000	$2,184,000	$2,184,000
New Hire Benefit Cost	$702,000	$702,000	$702,000	$702,000	$702,000
OPEB ARC Increase	$0	$ 633,750	$ 633,750	$ 633,750	$ 633,750
Gross Cost	$2,886,000	$4,802,926	$4,802,926	$4,802,926	$4,802,926
Savings	($3,729,870)	($1,812,944)	($1,812,944)	($1,812,944)	($1,812,944)

Note: Actuarial Accrued Liability Increases by: $ 9,299,000

Combined for Employees Eligible for Normal Retirement and within 2 Years of Normal Retirement
Assuming 10 percent of early eligibles and 15 percent of normal eligibles retire

Half of positions remain unfilled	Year 1	Year 2	Year 3	Year 4	Year 5
Savings	($5,119,995)	($2,389,855)	($2,389,855)	($2,389,855)	($2,389,855)

Actuarial Accrued Liability Increases by: $ 13,253,000

$25,000 plus Waive Early Penalty for Employees within 1 Year of Normal Retirement
$25,000 plus Reduce Early Penalty to 2% for Employees 1-2 Years from NR

Assumptions:

- **Applies to Group A and H**
- **Total Eligible 303**
- **Retirement Effective 7/1/08**
- **Average Salary - $75,000**
- **Cost amortized over 10 years**
- **10 percent of eligibles elect to retire (30 people)**
- **New Hires @ $56,000**
- **New Hire Benefits $18,000**

Half of positions remain unfilled	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Salary Savings	($2,239,794)	($2,239,794)	($2,239,794)	($2,239,794)	($2,239,794)
Normal Pension Cost Savings	($260,331)	($260,331)	($260,331)	($260,331)	($260,331)
Gross Savings	($2,500,125)	($2,500,125)	($2,500,125)	($2,500,125)	($2,500,125)
Amortized Pension Cost	$0	$545,357	$545,357	$545,357	$545,357
New Hire Salary Cost (15 People)	$840,000	$840,000	$840,000	$840,000	$840,000
New Hire Benefit Cost	$270,000	$270,000	$270,000	$270,000	$270,000
OPEB ARC Increase	$0	$267,857	$267,857	$267,857	$267,857
Gross Cost	$1,110,000	$1,923,214	$1,923,214	$1,923,214	$1,923,214
Savings	($1,390,125)	($576,911)	($576,911)	($576,911)	($576,911)

Note: Actuarial Accrued Liability Increases by: $3,954,000

21

Workforce/Compensation

SUMMARY OF FY09 RECOMMENDATIONS

A. SUMMARY OF AGENCY REQUESTS

Montgomery County Public Schools (MCPS): The MCPS workforce for FY09, as recommended by the Board of Education (BOE), is 21,061.2 FTEs, or 216.7 FTEs greater than the FY08 workforce of 20,844.5 FTEs. The BOE has negotiated agreements with the public schools' three bargaining units, the Service Employees International Union (SEIU), the Montgomery County Education Association (MCEA), and the Montgomery County Association of Administrators and Supervisory Personnel (MCAASP). The contracts with these unions will expire on June 30, 2010. For more information on compensation and workforce changes, please see the Board of Education FY09 recommended budget document.

Montgomery College (MC): The net impact on the Montgomery College workforce for FY09, as recommended by the College and its Board of Trustees, is an increase of 104.8 workyears. This is accompanied by an increase in personnel costs of $15.1 million. The primary factors in these changes are the full-year impact of prior year merit increases, reclassifications, promotions, FY09 compensation increases, and fringe benefit increases. For more information on compensation and workforce changes, please see the Montgomery College FY09 recommended budget document.

Maryland-National Capital Park & Planning Commission (M-NCPPC): The net impact on the Maryland-National Capital Park and Planning Commission workforce for FY09, as recommended by the Planning Board, is an increase in personnel costs of $14.6 million. The increase includes adjustments for compensation, merit pay increases, retirement, and group insurance. For more information on compensation and workforce changes, please see the M-NCPPC FY09 recommended budget document.

Montgomery County Government (MCG): The net impact on the County government workforce for FY09, as recommended by the Executive, is an increase of 124.3 workyears. The recommended budget contains an increase in total personnel costs of $47.0 million, or 5.1 percent. The primary factors in these changes are:

	Millions
• General Wage Adjustments and service increments ($35.0 million tax supported)	$39.2
• Net additional workyears	$4.8
• Changes in retirement contribution rates	($4.8)
• Changes in group insurance contribution rates	$10.7
• Expected early retirement savings	($5.0)
• Other personnel cost changes	$2.1

FY09 COUNTY EXECUTIVE RECOMMENDED COMPENSATION ADJUSTMENTS	
GENERAL WAGE ADJUSTMENTS/SERVICE INCREMENTS	
Non-represented (non-public safety)	9,697,340
MCGEO and uniformed public safety mgmt.	18,807,180
FOP members and uniformed Police mgmt.	6,228,630
IAFF members and uniformed Fire mgmt.	4,480,580
TOTAL	$39,213,730
PERFORMANCE-BASED PAY	($57,880)
TOTAL COMPENSATION ADJUSTMENTS	$39,155,850

The recommendations in the remainder of this section are for the County government and are based upon the bargained agreements with the United Food and Commercial Workers, Local 1994 (Municipal and County Government Employees Organization – MCGEO), the International Association of Fire Fighters (IAFF), Local 1664, the Fraternal Order of Police (FOP), Lodge 35, and Montgomery County Volunteer Fire and Rescue Association (MCVFRA). Certain provisions of the agreements have been extended to unrepresented employees, as noted below.

B. COUNTY GOVERNMENT SALARY AND WAGES

GENERAL WAGE ADJUSTMENT: The Executive recommends the following general wage adjustments effective the first full pay period after July 1, 2008: 4.5 percent for all employees in the Office, Professional, and Technical (OPT) and Service, Labor, and Trades (SLT) bargaining units; 4.0 percent for all employees in the Police bargaining unit and Police uniformed managers; and 4.5 percent for all unrepresented employees, including Management Leadership Service (MLS) employees. The Executive also recommends a 2.0 percent increase effective the first full pay period after July 1, 2008, and 2.0 percent effective the first full pay period after January 1, 2009, for employees in the Fire and Rescue bargaining unit and Fire and Rescue uniformed managers. All recommended salary schedules are at the end of this section.

INCREMENTS: The Executive recommends service increments of 3.5 percent for all eligible employees.

MANAGEMENT LEADERSHIP SERVICE: The Executive recommends $1,670,930 in the Compensation Adjustment NDA to fund performance-based pay increases to MLS Band I, II, and III employees.

C. COUNTY GOVERNMENT: EMPLOYEE BENEFITS

The following employee benefits are funded in the Executive's recommended budget through a combination of lump sum or payroll-based contributions.

- **FICA (Social Security & Medicare)**
- **Workers' Compensation**
- **Group Insurance**
- **Employees' Retirement System**
- **Retirement Savings Plan**

Social Security and Medicare: Contributions are collected from County departments and agencies each payday based on actual payroll. Since contribution rates and salary maximums change at the start of the calendar year, figures used in the recommended fiscal year budget represent an average of the rates set for 2008 and projected changes for 2009. While the rates (percentage of salary, which is contributed by both employer and employee) are not expected to change, the annual salary maximum on which to base FICA is projected to increase by about $3,600 or 3.6 percent.

Workers' Compensation: This is handled through the County's Risk Management program under the Department of Finance. Departments with significant non-tax revenues make annual contributions to the Liability and Property Coverage Self-Insurance Fund. A lump sum contribution to the Fund for insurance for the remaining County departments is made annually through the Risk Management (General Fund portion) Non-Departmental Account. Participating County agencies also make annual lump sum contributions. Contributions for all members are set each year based on an actuarial valuation of claims experience for Workers' Compensation.

Group Insurance Benefits: The contributions for health insurance are based on fixed rates per coverage level, and the contribution for life insurance is based on fixed rates per coverage amounts based on an employee's salary. Overall, in calendar 2008, plan participants experienced a 4.3 percent increase in premiums from the previous year. Rate changes were made pursuant to an actuarial analysis of claims experience and previous rate actions. The County also used the fund balance exceeding the target 5 percent to mitigate what would have been a higher increase in premiums.

It is projected for the long term that the annual cost of group insurance for the County, including active employees and retirees, could increase an average of approximately 8.8 percent annually between FY09 and FY14. Contribution rates during this period will be set based on various factors, including the fund balance in the Health Insurance Fund and claims cost experience.

Retirement Benefits: Montgomery County government maintains a system of retirement pay and benefits for its employees which are intended to provide income during their retirement years. The County government's Employees' Retirement System (ERS) was established through legislation in 1965 and is found in the Montgomery County Code, Section 33. The Retirement Program, which currently provides benefits to approximately 4,997 retirees and survivors, is administered by the Office of Human Resources. Retirement plan design changes occurring through the collective bargaining process and by other means are coordinated by the Office of Human Resources in consultation with the County's actuaries, the Finance Department, and the Office of Management and Budget.

Retiree Health Benefits Trust: Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to what we have been doing for retiree pension benefits for more than 50 years. The reasons for doing this are simple: due to exponential growth in expected retiree health costs, the cost of funding these benefits, which are currently paid out as the bills come due, may soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which will be invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is $2.6 billion – more than half the total FY09 budget for all agencies.

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits. This amount, known as an Annual Required Contribution or "ARC", was calculated for County agencies last year to be $240 million, or nearly $190 million more than the previous annual payment for current retirees. Still too large an amount to be set aside all at once in FY08, the County chose a further approach of "ramping up" to the ARC amount over several years, with the amount set aside each year increasing steadily until the full ARC is reached. A total of $31.9 million for all tax supported agencies was budgeted for this purpose in FY08.

For FY09, the ARC has been recalculated and is now estimated at $250 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay as you go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis. For FY09, a ramp-up period of eight years has been assumed, up from the five year phase-in that was planned in FY08. This lengthening of the phase-in period is being implemented in response to the County's fiscal situation, and results in a contribution for all County tax-supported agencies of $55.15 million in FY09, down from $70.73 million called for under the previous plan. A detailed breakdown of the Retiree Health Benefit Trust contributions for tax supported agencies is displayed in the table below.

Proposed FY09 Retiree Health Benefits Trust Contributions

	FY09
Montgomery County Government (MCG)	
General Fund:	
Retiree Health Benefits Trust NDA	$19,571,930
Proprietary Funds:	
Bethesda Parking District	$56,650
Wheaton Parking District	8,500
Silver Spring Parking District	45,320
Solid Waste Collection	25,490
Solid Waste Disposal	203,920
Liquor Control	883,670
Permitting Services	606,100
Community Use of Public Facilities	76,470
Motor Pool	472,990
Risk Management	33,990
Central Duplicating	84,970
Participating Agency Contributions:	
Housing Opportunities Commission	$680,000
Revenue Authority	120,000
Strathmore Hall	70,000
Credit Union	50,000
Washington Suburban Transit Commission	10,000
Total MCG Trust Contributions	**$23,000,000**
Montgomery County Public Schools Trust Fund	**29,000,000**
Montgomery College Trust Fund	**900,000**
Park and Planning Commission Trust Fund	**2,250,000**
Total FY09 Contributions	**$55,150,000**

Retirement Plans:

1) The ERS consists of three plans including a Mandatory Integrated Retirement Plan, an Optional Non-Integrated Retirement Plan, and an Optional Integrated Plan.

2) The Retirement Savings Plan (RSP), a defined contribution plan, was established for all new OPT/SLT (non-public safety) and non-represented employees hired on or after October 1, 1994. Eligible employees in the ERS are allowed to transfer to the Retirement Savings Plan. Both full-time and part-time employees can participate. Under this plan, the County and employee each make contributions at a set percentage of pay. These monies are deposited into investment vehicles of the employee's choosing designed to provide a retirement benefit directly to the employee.

Retirement Fund: The Board of Investment Trustees manages the assets of the ERS through its investment managers in accordance with the Board's asset allocation strategy. The Board also administers the investment program for the Retirement Savings Plan and the Montgomery County Deferred Compensation Plan. The Montgomery County Union Employees Deferred Compensation Plan is administered by the three unions representing Montgomery County employees. The Board currently consists of 13 trustees including: the Directors of Human Resources, Finance, Management and Budget, and the Council Staff; one member recommended by each employee organization; one active employee not represented by an employee organization; one retired employee; two members of the public recommended by the County Council; and two members of the general public. As a result of the re-opener negotiations with MCGEO, the County Executive will be proposing legislation to alter the composition of the Board of Investment Trustees, increasing the total membership to 16 trustees (two additional representatives for the OPT/SLT bargaining units and one additional public representative).

Change In Retirement System Membership: As indicated in the table "Retirement Funds: Enrollment and County Contribution Rates" at the end of this narrative, the number of active non-public safety employees in the ERS declined, the number of active public safety employees increased, and the number of employees in the RSP increased.

Funds for the County's contribution to the ERS for each member employee are included in the appropriate County government departmental budget or agency budget. Budgeted ERS contribution rates are displayed in the table "Retirement Funds: Enrollment and Contribution Rates" at the end of this narrative and are based on a 40-year funding schedule, with the exception of the additional costs from the FY94 and FY95 Retirement Incentive Program (RIP) which are being amortized on a 10-year schedule. The County uses multiple contribution rates designating the percentage of payroll for the various employee groups to determine the retirement contribution. These rates are determined annually by an actuarial valuation.

County contributions are determined using actuarially sound assumptions to assure the financial health of the Fund. Factors that affect the County's contributions include the impact of compensation adjustments, increases in the size of the workforce, investment returns, and collectively bargained benefit changes. The ERS contribution rates reflect projections of revenues and expenses to the fund. Revenues include member contributions which are set at fixed percentages of salaries and investment income which is driven by both earnings in the market and the size of the Fund balance invested.

Expenses of the Fund include pension payments which are affected by mandated cost-of-living increases and changes in the number of retirees and survivors; administrative and operational expenses of the Fund managers and financial consultants; and charges for services provided by County staff in the Board of Investment Trustees, Finance, and Human Resources.

The Executive recommends the establishment of an early retirement incentive program in order to produce long term savings for the County Government. The details of the program remain to be further defined, but will apply to non-public safety employees. It is expected that nearly 100 employees will participate in this program and that approximately 50 of the positions that will be vacated as a result of the program will be permanently abolished.

COLLECTIVE BARGAINING

Fire and Rescue Bargaining Unit:

International Association of Fire Fighters, Local 1664: The current agreement expires June 30, 2008. The County Executive and IAFF reached agreement, subject to ratification, on a three-year contract effective July 1, 2008 to June 30, 2011. The agreement's salient economic terms include:

- A general wage adjustment of 2.0 percent effective the first full pay period after July 1, 2008, 2.0 percent in January 2009, 4.0 percent in July 2009, and 3.5 percent in July 2010.
- A new longevity adjustment at 28 years of service in July 2009, and an additional step on the salary schedule in July 2010.
- A service increment of 3.5 percent for eligible employees.
- New primary and backup scheduler differential in July 2008; and increase in hazardous materials, breathing apparatus technician certification, fire code, fire investigation, urban search and rescue, swift water rescue, and scheduler assignment pay, as well as an increase in ECC certification pay, in July 2009.
- Effective January 2009, County contribution for prescription insurance fixed to 80 percent of standard option (employee may buy-up at their own cost), generics are restricted, incentives are established for mail order, and high option copayments remain at $4/$8.
- Expansion of the list of illnesses for which an employee is automatically entitled to a service-connected disability retirement.
- A $100 increase each year in tuition assistance.
- Establishment of random drug testing.
- Bottled water at each station and parking improvements at select stations are provided.

Montgomery County Volunteer Fire and Rescue Association (MCVFRA): The current agreement expires June 30, 2008. The County Executive and MCVFRA reached agreement, subject to ratification, on a three-year contract effective July 1, 2008 to June 30, 2011. The salient economic terms of the agreement include:

- Increased administrative support funding and a nominal fee for certain members.
- Turn-out boots and gear bags provided to active members.
- Increased number of contracts printed, association vehicle supplied, provision of one computer, development of online courses, and County sponsorship of annual awards dinner.
- Establishment of random drug testing.

OPT/SLT Bargaining Units:

Municipal and County Government Employees Organization (MCGEO), United Food and Commercial Workers, Local 1994: The current agreements expire June 30, 2010. The agreement's salient economic terms, including those negotiated through a reopener on health and pension issues, consist of:

- A general wage adjustment of 4.0, 4.5, and 4.5 percent effective the first full pay period in July 2007, 2008, and 2009, respectively.
- A service increment of 3.5 percent for eligible employees.
- An increase from 2 percent to 3 percent in longevity increment for unit members at pay grade maximum and 20 years of completed service effective January 2008.
- A $100 increase each year in tuition assistance.
- A wage increase for employees on the seasonal wage scale of $0.40 per hour in FY08 and $0.45 per hour in fiscal 2009 and 2010.
- A 1.5 percent retention increment for Bus Operators after four years completed service and an additional 1.5 percent retention increment after six years of completed service effective January 2008.
- Implementation of a new salary schedule for Correctional Officers and adjustments to the Deputy Sheriffs salary schedule to include Sergeants and a new step for Deputy Sheriff III and Sergeant.
- Increase evening shift differential $0.05 in FY08 and FY09; increase midnight shift differential $0.05 in fiscal 09; implement the midnight shift differential for non-ECC Police Public Service Aides working the 8 pm to 6 am shift; increase advanced multilingual differential $0.20 in FY08; and increase the field training differential $0.25 in FY08 and FY10.
- Implementation of a gainsharing program to encourage and promote new, innovative ideas,

concepts and strategies to deliver County services and products cost effectively.

- ❖ Effective January 2009, County contribution for prescription insurance fixed to 80 percent of standard option (employee may buy-up at their own cost), generics are restricted, incentives are established for mail order, and high option copayments remain at $4/$8.
- ❖ In the Group E retirement plan, the social security integration multiplier increased from 1.25 to 1.65 percent
- ❖ Employer contribution increases from 6 to 8 percent in the Retirement Savings Plan in July 2008.
- ❖ Guaranteed Retirement Income Plan ("GRIP") offered July 1, 2009, which ensures an investment return of 7.25 percent, with a 6-month election period for employees hired on or after July 1, 2009.

Police Bargaining Unit:

Fraternal Order of Police Lodge 35: The current agreement expires June 30, 2010. The agreement's salient economic terms, including those negotiated through a reopener on health and pension issues, consist of:

- ❖ A $3,151 increase to Step 0, Year 1 of pay plan – maintaining existing structure, in July 2007; general wage adjustments of 4.0 percent in July 2008 and 4.25 percent in July 2009.
- ❖ A service increment of 3.5 percent for eligible employees.
- ❖ Increase in the clothing allowance each year.
- ❖ A $100 increase each year in tuition assistance.
- ❖ Increase in the shift differential each year.
- ❖ Full implementation of the Single Officer Fleet Vehicle program by July 1, 2009 including video cameras.
- ❖ Establish DROP program; increase credited service to a maximum of 36 years, including sick leave credits; and establish eligibility for unreduced pension with 25 years of service, regardless of age.
- ❖ Effective January 2009, County contribution for prescription insurance fixed to 80 percent of standard option (employee may buy-up at their own cost), generics are restricted, incentives are established for mail order, high option copayments are increased to $5/$10.

WORKFORCE ANALYSIS

Basis: Workforce Analysis has been performed on changes to tax supported and non-tax supported workyears (WYs) in the Executive's Recommended FY09 Operating Budget for the County government. Overall changes are calculated in comparison to the Approved Personnel Complement for FY08, which began on July 1, 2007. Changes shown reflect such factors as the addition of grant-funded positions; abolishments and creations to implement approved job sharing agreements; technical adjustments to remove positions currently associated with "group positions" which can contain unlimited numbers of employees (temporary, seasonal, or contractual), but are defined by the amount of service in terms of workyears that they are to provide; and other miscellaneous changes. Changes recommended by the Executive for FY09 are in three categories: current year position changes due to supplemental appropriations or other actions, new fiscal year position changes scheduled to take effect July 1, 2008, and position changes scheduled for later in the fiscal year. In the latter case, the workyear change will be prorated for the portion of the year it is recommended.

Summary: The recommended budget includes funding for 9,005 full-time positions, a net increase of 26 from the approved FY08 Personnel Complement of 8,979 full-time positions. Funding for 1,104 part-time positions is included, a net decrease of 39 positions from the approved FY08 Personnel Complement of 1,143 positions.

Tax supported workyears account for 83.4 percent of the County's total workyears. Total tax supported workyears will decrease to 8,369.6 WYs in FY09, a decrease of 177.7 WYs or 2.1 percent. The primary reason for the reduction of tax supported workyears is the shifting of 249.0 workyears in the Department of Health and Human Services to the non-tax supported grant fund.

Total County government workyears will increase to 10,038.1 WYs in FY09, an increase of 124.3 WYs or 1.3 percent. When measured relative to population, total workyears per thousand population is relatively unchanged from FY08 (10.25 compared to 10.24).

Of the County's 8,369.6 tax supported workyears proposed for FY09, Public Safety departments account for 47.7 percent, or 3,988.9 workyears. Public Safety workyears will decrease by 25.4 workyears, or 0.6 percent from FY08 levels.

Detailed below are the significant net changes in the number of tax supported workyears in the FY09 Recommended Budget.

Program Changes (tax supported)	WYs
• Transit Services – net annualization of Ride On service reductions and County take-over of contracted bus services	95.2
• Fire and Rescue – net increase due to the opening of the West Germantown Fire Station	11.0
• Corrections – reductions related to overtime funding	-9.2
• Health and Human Services – reduction primarily due to a shift of the Crisis Center – Assertive Community Treatment (ACT) Team to the State	-10.8
• Police – Elimination of Community Services Division and Community Policing program	-12.9

MONTGOMERY COUNTY GOVERNMENT - MEDICAL PLAN ENROLLMENT, ACTIVE EMPLOYEES

	2007					2008					CHANGE				
HEALTH PLAN	EMP	EMP+1	FAM	TOTAL	%INSURED	EMP	EMP+1	FAM	TOTAL	%INSURED	EMP	EMP+1	FAM	TOTAL	%CHG
Carefirst POS	1,708	1,212	2,124	5,044	60.1%	1,891	1,298	2,234	5,423	61.5%	183	86	110	379	88.3%
Carefirst POS Std	111	24	65	200	2.4%	145	55	83	283	3.2%	34	31	18	83	19.3%
Kaiser	454	233	383	1,070	12.8%	521	230	404	1,155	13.1%	67	(3)	21	85	19.8%
United Healthcare*	620	467	991	2,078	24.8%	599	451	910	1,960	22.2%	(21)	(16)	(81)	(118)	-27.5%
Grand Total				8,392					8,821					429	

* Formerly Optimum Choice

RETIREMENT FUNDS: ENROLLMENT & COUNTY CONTRIBUTION RATES

Employee Retirement System Plans	Number Employees (7/1/06)	Fiscal 2008 Contribution Rate	Number Employees (7/1/07)	Fiscal 2009 Contribution Rate	Number Employees 7/06 v. 7/07	FY 08 v. 09 Contribution Rate
Public Safety						
Optional, Nonintegrated	23	81.61%	20	80.21%	(3)	-1.40%
Optional, Integrated	81	81.28%	75	73.63%	(6)	-7.65%
Mandatory Integrated	2,717	35.80%	2,837	32.53%	120	-3.27%
Subtotal Public Safety	**2,821**		**2,932**		**111**	
Non-Public Safety						
Optional, Nonintegrated	123	39.04%	104	35.22%	(19)	-3.82%
Optional, Integrated	229	35.90%	189	35.59%	(40)	-0.31%
Mandatory Integrated	2,189	22.26%	2,069	21.34%	(120)	-0.92%
Subtotal Non-Public Safety	**2,541**		**2,362**		(179)	
Total ERS System Plans	**5,362**		**5,294**		(68)	
Retirement Savings Plan	**3,791**	**6.00%**	**4,253**	**8.00%**	**462**	**2.00%**

MONTGOMERY COUNTY GOVERNMENT WORKFORCE CHANGE SUMMARY
COUNTY EXECUTIVE RECOMMENDED: FY09

	POSITIONS		WORKYEARS		
	Full Time	Part Time	Tax Supported	Non-Tax Supp.	TOTAL WYs
FY08 APPROVED COMPLEMENT	8,979	1,143	8,547.3	1,366.5	9,913.8
FY09 RECOMMENDED COMPLEMENT	9,005	1,104	8,369.6	1,668.5	10,038.1
CHANGE IN WORKFORCE (GROSS)	26	(39)	(177.7)	302.0	124.3
Percentage Change	0.3%	(3.4%)	(2.1%)	22.1%	1.3%

PROPOSED OPERATING BUDGET DEFERRED COMPENSATION MANAGEMENT						
ITEM	FY07 ACTUAL	FY08 APPR	FY08 EST	FY09 REC	Change: FY09 vs. FY08 Appr. $	%
EXPENSES						
Salaries and Benefits	101,990	83,980	81,970	91,310	7,330	8.7%
Professional Services	4,420	11,700	6,200	6,870	(4,830)	(41.3%)
Due Diligence/Education	870	4,700	3,500	3,500	(1,200)	(25.5%)
Office Management	5,980	6,100	6,600	6,800	700	11.5%
Investment Management	29,460	32,000	24,100	17,000	(15,000)	(46.9%)
TOTAL EXPENSES	$142,720	$138,480	$122,370	$125,480	($13,000)	(9.4%)

Amounts shown above are not charged to the Deferred Compensation Plan trust but are instead appropriated and charged to the General Fund Compensation and Employee Benefits Adjustments Non-Departmental Account.

PROPOSED OPERATING BUDGET EMPLOYEES' RETIREMENT SYSTEM						
ITEM	FY07 ACTUAL	FY08 APPR	FY08 EST	FY09 REC	Change: FY09 vs. FY08 Appr. $	%
REVENUE						
County Contributions	109,436,000	113,000,000	112,000,000	110,000,000	(3,000,000)	(2.7%)
Employee Contributions	16,362,460	16,000,000	16,000,000	17,500,000	1,500,000	9.4%
Investment Income	420,041,360	200,000,000	223,400,000	243,000,000	43,000,000	21.5%
Miscellaneous Income	805,660	690,000	750,000	800,000	110,000	15.9%
TOTAL REVENUE	546,645,480	329,690,000	352,150,000	371,300,000	41,610,000	12.6%
EXPENSES						
OPERATING EXPENSES						
Retirement Benefits	137,625,750	150,720,000	150,950,000	164,720,000	14,000,000	9.3%
Investment Management	12,014,390	9,349,300	10,242,000	11,055,000	1,705,700	18.2%
SUBTOTAL	149,640,140	160,069,300	161,192,000	175,775,000	15,705,700	9.8%
ADMINISTRATIVE EXPENSES						
Salaries and Benefits	1,215,260	1,209,430	1,209,430	1,363,050	153,620	12.7%
Professional Services	550,110	845,130	900,430	788,930	(56,200)	(6.6%)
Benefit Processing	486,150	375,000	375,000	375,000	0	0.0%
Due Diligence/Education	21,560	38,500	48,500	51,500	13,000	33.8%
Office Management	128,140	152,700	151,800	242,660	89,960	58.9%
SUBTOTAL	2,401,220	2,620,760	2,685,160	2,821,140	200,380	7.6%
TOTAL EXPENSES	$152,041,360	$162,690,060	$163,877,160	$178,596,140	$15,906,080	9.8%
NET REVENUE	$394,604,120	$166,999,940	$188,272,840	$192,703,860	$25,703,920	15.4%

PROPOSED OPERATING BUDGET RETIREMENT SAVINGS PLAN						
ITEM	FY07 ACTUAL	FY08 APPR	FY08 EST	FY09 REC	Change: FY09 vs. FY08 Appr. $	%
REVENUE						
Investment Income	48,270	32,000	24,000	24,000	(8,000)	(25.0%)
Miscellaneous Income	573,690	300,000	300,000	300,000	0	0.0%
TOTAL REVENUE	621,960	332,000	324,000	324,000	(8,000)	(2.4%)
EXPENSES						
OPERATING EXPENSES						
Investment Management	30,630	32,000	24,100	17,000	(15,000)	(46.9%)
SUBTOTAL	30,630	32,000	24,100	17,000	(15,000)	(46.9%)
ADMINISTRATIVE EXPENSES						
Salaries and Benefits	203,170	131,840	131,840	190,620	58,780	44.6%
Professional Services	72,520	118,100	101,100	114,100	(4,000)	(3.4%)
Due Diligence/Education	4,880	5,700	4,500	4,500	(1,200)	(21.1%)
Office Management	20,880	12,100	13,100	14,890	2,790	23.1%
SUBTOTAL	301,450	267,740	250,540	324,110	56,370	21.1%
TOTAL EXPENSES	$332,080	$299,740	$274,640	$341,110	$41,370	13.8%

GENERAL SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

GRADE	MINIMUM	MID-POINT	MAXIMUM	PERFORMANCE LONGEVITY MAXIMUM*
5	$24,239	$30,842	$37,444	$38,193
6	$25,167	$32,085	$39,003	$39,784
7	$26,148	$33,410	$40,672	$41,486
8	$27,165	$34,844	$42,522	$43,373
9	$28,238	$36,353	$44,468	$45,358
10	$29,371	$37,969	$46,567	$47,499
11	$30,558	$39,658	$48,758	$49,734
12	$31,797	$41,430	$51,062	$52,084
13	$33,107	$43,295	$53,483	$54,553
14	$34,484	$45,257	$56,030	$57,151
15	$35,923	$47,308	$58,693	$59,867
16	$37,457	$49,478	$61,498	$62,728
17	$39,157	$51,799	$64,441	$65,730
18	$40,952	$54,243	$67,533	$68,884
19	$42,883	$56,828	$70,773	$72,189
20	$44,900	$59,541	$74,181	$75,665
21	$47,028	$62,392	$77,756	$79,312
22	$49,253	$65,383	$81,513	$83,144
23	$51,598	$68,531	$85,463	$87,173
24	$54,054	$71,825	$89,596	$91,388
25	$56,631	$75,288	$93,944	$95,823
26	$59,345	$78,929	$98,513	$100,484
27	$62,168	$82,739	$103,309	$105,376
28	$64,960	$86,652	$108,343	$110,510
29	$67,890	$90,759	$113,628	$115,901
30	$70,971	$95,077	$119,183	$121,567
31	$74,206	$99,608	$125,010	$127,511
32	$77,596	$103,216	$128,836	$131,413
33	$81,161	$106,913	$132,664	$135,318
34	$84,904	$110,700	$136,495	$139,225
35	$88,837	$114,580	$140,322	$143,129
36	$92,966	$118,560	$144,153	$147,037
37	$97,296	$122,637	$147,977	$150,937
38	$101,846	$126,614	$151,381	$154,409
39	$106,622	$130,116	$153,610	$156,683
40	$111,640	$133,739	$155,837	$158,954

*A one-time 2.0 percent performance-based longevity increment is provided to employees who have received performance ratings of "exceptional" or "highly successful" for the two most recent consecutive years, are at the top of their pay grade, and have 20 years completed service.

MANAGEMENT LEADERSHIP SERVICE SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

GRADE	MLS LEVEL	MINIMUM	CONTROL POINT	MAXIMUM
M1	MANAGEMENT LEVEL I	$84,407	$143,367	$149,917
M2	MANAGEMENT LEVEL II	$73,811	$127,974	$133,992
M3	MANAGEMENT LEVEL III	$63,411	$110,652	$115,901

MINIMUM WAGE / SEASONAL SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

	MINIMUM		MAXIMUM	
GRADE	ANNUAL	HOURLY	ANNUAL	HOURLY
Grade S1	$14,560	$7.0000	$17,943	$8.6264
Grade S2	$16,322	$7.8471	$20,435	$9.8245
Grade S3	$18,378	$8.8351	$23,111	$11.1106
Grade S4	$20,435	$9.8245	$25,786	$12.3971
Grade S5	$23,180	$11.1442	$29,352	$14.1111
Grade S6	$28,666	$13.7817	$36,482	$17.5394
Grade S7	$34,236	$16.4596	$43,728	$21.0226
Grade S8	$39,987	$19.2245	$51,202	$24.6163

MEDICAL DOCTORS SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

GRADE	MEDICAL JOB CLASS	MINIMUM	MID-POINT	MAXIMUM
MD I	MEDICAL DOCTOR I	$94,692	$119,354	$144,015
MD II	MEDICAL DOCTOR II	$104,160	$131,288	$158,416
MD III	MEDICAL DOCTOR III	$114,575	$144,416	$174,256
MD IV	MEDICAL DOCTOR IV	$126,033	$158,858	$191,682

OFFICE, PROFESSIONAL & TECHNICAL BARGAINING UNIT AND SERVICE, LABOR & TRADES BARGAINING UNIT SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

GRADE	MINIMUM	MID-POINT	MAXIMUM	L1*
5	$24,239	$30,842	$37,444	$38,568
6	$25,167	$32,085	$39,003	$40,174
7	$26,148	$33,410	$40,672	$41,893
8	$27,165	$34,844	$42,522	$43,798
9	$28,238	$36,353	$44,468	$45,803
10	$29,371	$37,969	$46,567	$47,965
11	$30,558	$39,658	$48,758	$50,221
12	$31,797	$41,430	$51,062	$52,594
13	$33,107	$43,295	$53,483	$55,088
14	$34,484	$45,257	$56,030	$57,711
15	$35,923	$47,308	$58,693	$60,454
16	$37,457	$49,478	$61,498	$63,343
17	$39,157	$51,799	$64,441	$66,375
18	$40,952	$54,243	$67,533	$69,559
19	$42,883	$56,828	$70,773	$72,897
20	$44,900	$59,541	$74,181	$76,407
21	$47,028	$62,392	$77,756	$80,089
22	$49,253	$65,383	$81,513	$83,959
23	$51,598	$68,531	$85,463	$88,027
24	$54,054	$71,825	$89,596	$92,284
25	$56,631	$75,288	$93,944	$96,763
26	$59,345	$78,929	$98,513	$101,469
27	$62,168	$82,739	$103,309	$106,409

* Completion of 20 years of service and at maximum for pay grade.

SHERIFF MANAGEMENT SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
D2	DEPUTY SHERIFF LIEUTENANT	$60,460	$94,571	$97,409
D3	DEPUTY SHERIFF CAPTAIN	$72,553	$114,215	$117,642
D4	DEPUTY SHERIFF COLONEL	$83,436	$131,762	$135,715

* Completion of 20 years of service and at maximum for pay grade.

DEPUTY SHERIFF SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

YEAR	STEP	DS I	DS II	DS III	SGT
1	0	$43,642	$46,697	$49,966	$54,963
2	1	$45,170	$48,332	$51,715	$56,887
3	2	$46,751	$50,024	$53,526	$58,879
4	3	$48,388	$51,775	$55,400	$60,940
5	4	$50,082	$53,588	$57,339	$63,073
6	5	$51,835	$55,464	$59,346	$65,281
7	6	$53,650	$57,406	$61,424	$67,566
8	7	$55,528	$59,416	$63,574	$69,931
9	8	$57,472	$61,496	$65,800	$72,379
10	9	$59,484	$63,649	$68,103	$74,913
11	10		$65,877	$70,487	$77,535
12	11		$68,183	$72,955	$80,249
13	12			$75,509	$83,058
14 - 20	13			$78,152	$85,966
21+	L1*	$61,269	$70,229	$80,497	$88,545

* Completion of 20 years of service and at maximum for pay grade.

FIRE/RESCUE BARGAINING UNIT SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

GRADE	F1 FIRE FIGHTER RESCUER I	F2 FIRE FIGHTER RESCUER II	F3 FIRE FIGHTER RESCUER III	F4 MASTER FIRE FIGHTER RESCUER	B1 FIRE/RESCUE LIEUTENANT	B2 FIRE/RESCUE CAPTAIN
A	$40,797	$42,837	$44,979	$49,477	$54,430	$61,377
B	$42,225	$44,337	$46,554	$51,209	$56,336	$63,526
C	$43,703	$45,889	$48,184	$53,002	$58,308	$65,750
D	$45,233	$47,496	$49,871	$54,858	$60,349	$68,052
E	$46,817	$49,159	$51,617	$56,779	$62,462	$70,434
F	$48,456	$50,880	$53,424	$58,767	$64,649	$72,900
G	$50,152	$52,661	$55,294	$60,824	$66,912	$75,452
H	$51,908	$54,505	$57,230	$62,953	$69,254	$78,093
I	$53,725	$56,413	$59,234	$65,157	$71,678	$80,827
J	$55,606	$58,388	$61,308	$67,438	$74,187	$83,656
K	$57,553	$60,432	$63,454	$69,799	$76,784	$86,584
L	$59,568	$62,548	$65,675	$72,242	$79,472	$89,615
M	$61,653	$64,738	$67,974	$74,771	$82,254	$92,752
N	$63,811	$67,004	$70,354	$77,388	$85,133	$95,999
O	$66,045	$69,350	$72,817	$80,097	$88,113	$99,359
LS*	$68,357	$71,778	$75,366	$82,901	$91,197	$102,837

* Completion of 20 years of service.

FIRE/RESCUE BARGAINING UNIT SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JANUARY 4, 2009

GRADE	F1 FIRE FIGHTER RESCUER I	F2 FIRE FIGHTER RESCUER II	F3 FIRE FIGHTER RESCUER III	F4 MASTER FIRE FIGHTER RESCUER	B1 FIRE/RESCUE LIEUTENANT	B2 FIRE/RESCUE CAPTAIN
A	$41,613	$43,694	$45,879	$50,467	$55,519	$62,605
B	$43,070	$45,224	$47,485	$52,234	$57,463	$64,797
C	$44,578	$46,807	$49,147	$54,063	$59,475	$67,065
D	$46,139	$48,446	$50,868	$55,956	$61,557	$69,413
E	$47,754	$50,142	$52,649	$57,915	$63,712	$71,843
F	$49,426	$51,897	$54,492	$59,943	$65,942	$74,358
G	$51,156	$53,714	$56,400	$62,042	$68,250	$76,961
H	$52,947	$55,594	$58,374	$64,214	$70,639	$79,655
I	$54,801	$57,540	$60,418	$66,462	$73,112	$82,443
J	$56,720	$59,554	$62,533	$68,789	$75,671	$85,329
K	$58,706	$61,639	$64,722	$71,197	$78,320	$88,316
L	$60,761	$63,797	$66,988	$73,689	$81,062	$91,408
M	$62,888	$66,030	$69,333	$76,269	$83,900	$94,608
N	$65,090	$68,342	$71,760	$78,939	$86,837	$97,920
O	$67,369	$70,734	$74,272	$81,702	$89,877	$101,348
LS*	$69,727	$73,210	$76,872	$84,562	$93,023	$104,896

* Completion of 20 years of service.

FIRE/RESCUE MANAGEMENT
SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
B3	FIRE/RESCUE BATTALION CHIEF	$68,835	$114,392	$118,396
B4	FIRE/RESCUE ASSISTANT CHIEF	$75,171	$125,822	$130,226
B6	FIRE/RESCUE DIVISION CHIEF	$85,928	$142,663	$147,657

* Completion of 20 years of service.

FIRE/RESCUE MANAGEMENT
SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JANUARY 4, 2009

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
B3	FIRE/RESCUE BATTALION CHIEF	$70,212	$116,680	$120,764
B4	FIRE/RESCUE ASSISTANT CHIEF	$76,675	$128,339	$132,831
B6	FIRE/RESCUE DIVISION CHIEF	$87,647	$145,517	$150,611

* Completion of 20 years of service.

POLICE MANAGEMENT SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
A2	POLICE LIEUTENANT	$74,352	$111,992	$115,912
A3	POLICE CAPTAIN	$84,677	$127,934	$132,412

* Completion of 20 years of service.

POLICE BARGAINING UNIT SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

STEP	YEAR	PO I	PO II	PO III	MPO	SGT
0	1	$46,972	$49,321	$51,788	$54,378	$59,816
1	2	$48,617	$51,048	$53,601	$56,282	$61,910
2	3	$50,319	$52,835	$55,478	$58,252	$64,077
3	4	$52,081	$54,685	$57,420	$60,291	$66,320
4	5	$53,904	$56,599	$59,430	$62,402	$68,642
5	6	$55,791	$58,580	$61,511	$64,587	$71,045
6	7	$57,744	$60,631	$63,664	$66,848	$73,532
7	8	$59,766	$62,754	$65,893	$69,188	$76,106
8	9	$61,858	$64,951	$68,200	$71,610	$78,770
9	10	$64,024	$67,225	$70,587	$74,117	$81,527
10	11	$66,265	$69,578	$73,058	$76,712	$84,381
11	12	$68,585	$72,014	$75,616	$79,397	$87,335
12	13	$70,986	$74,535	$78,263	$82,176	$90,392
13	14	$73,471	$77,144	$81,003	$85,053	$93,556
14	15 - 20	$76,043	$79,845	$83,839	$88,030	$96,831
L1*	21+	$78,705	$82,640	$86,774	$91,112	$100,221

* Completion of 20 years of service.

CORRECTIONAL MANAGEMENT SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
C1	CORRECTIONAL SHIFT COMMANDER (LT)	$56,914	$92,136	$94,901
C2	CORRECTIONAL TEAM LEADER (CAPT)	$62,606	$101,350	$104,391

* Completion of 20 years of service and at maximum of pay grade.

CORRECTIONAL OFFICER SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

STEP	YEAR	CO I	CO II	CO III	SGT
1	0	$40,538	$42,565	$46,822	$51,739
2	1	$41,957	$44,055	$48,461	$53,550
3	2	$43,426	$45,597	$50,158	$55,425
4	3	$44,946	$47,193	$51,914	$57,365
5	4	$46,520	$48,845	$53,731	$59,373
6	5	$48,149	$50,555	$55,612	$61,452
7	6	$49,835	$52,325	$57,559	$63,603
8	7	$51,580	$54,157	$59,574	$65,830
9	8	$53,386	$56,053	$61,660	$68,135
10	9	$55,255	$58,015	$63,819	$70,520
11	10	$57,189	$60,046	$66,053	$72,989
12	11	$59,191	$62,148	$68,365	$75,544
13	12		$64,324	$70,758	$78,189
14	13				$80,926
15	14 - 20				$83,759
L1*	21+	$60,967	$66,254	$72,881	$86,272

* Completion of 20 years of service and at maximum for pay grade.

Fraternal Order of Police, Lodge 35
Fiscal Impact Summary

Article	Item	Description	FY09	FY10
24	Prescription Drug Coverage	Paygo impact: County contribution fixed to 80% of standard option (employee may buy-up at their own cost), restrict generics, incentivize mail order; increase high option copayments to $5/$10	(106,750)	(213,500)
		OPEB impact: $2.2 million reduction in the AAL		(85,710)
57	DROP/ Credited Service	Establish DROP program; increase credited service to a maximum of 36 years, including sick leave credits; and establish eligibility for unreduced pension with 25 years of service, regardless of age ($6.0 million increase in AAL)[1]		803,000
	Total Fiscal Impact		**$ (106,750)**	**$503,790**

[1] The Board of Investment Trustees may incur additional recordkeeping costs of approximately $25,000.

Municipal and County Government Employees Organization, Local 1994
Fiscal Impact Summary

Article	Item	Description	FY09	FY10
21	Prescription Drug Coverage	Paygo impact: County contribution fixed to 80% of standard option (employee may buy-up at their own cost), restrict generics, incentivize mail order; high option copayments remain $4/$8	(405,870)	(811,750)
		OPEB impact: $7.0 million reduction in the AAL		(385,710)
41	Social Security Integration	Group E: Increase social security integration multiplier from 1.25% to 1.65% ($5.0 million increase in the AAL)		753,000
44	RSP/GRIP	Increase employer contributions from 6% to 8% effective July 2008; offer GRIP July 1, 2009; implement 6-month election period for employees hired on or after July 1, 2009[1]	2,852,700	2,068,000
	Total Fiscal Impact		**$2,446,830**	**$1,623,540**

[1] The Board of Investment Trustees may incur additional recordkeeping costs of approximately $134,000.

Montgomery County Volunteer Fire Rescue Association
Fiscal Impact Statement

Article	Item	Description	FY09	FY10	FY11
5	Association Expenses	County to increase funding to MCVFRA by $50,000	$50,000	$50,000	$50,000
5	Vehicle	New vehicle for Association business	-	-	40,000
5	Contract	Provide increased number of contracts	900	-	-
5	Firehouse Terminal	Provide one terminal, software, communications line, monitor, and printer	5,000	-	-
5	Awards Dinner	County to sponsor annual awards dinner in April	5,000	5,000	5,000
11	Turn-out Boots	All active members on the IECS (874) will be supplied with leather turn-out boots	-	-	233,350
11	Gear Bag	All active members on the IECS (874) will be supplied with a gear bag	-	-	39,330
12	Nominal Fee	Nominal fee of $300 or $500 in July 2009 and $400 or $600 in July 2010; LFRDs must have approved standby programs for volunteers to be eligible for the nominal fee	(212,600)	91,690	168,920
New	Drug Testing	Random drug testing	18,750	18,750	18,750
New	Online Classes	Training -- development of on-line courses	3,000	3,000	3,000
		Total	**($129,950)**	**$168,440**	**$558,350**

International Association of Fire Fighters, Local 1664
Fiscal Impact Statement

Article	Item	Description	FY09	FY10	FY11
17.1	Assignment Pay	Primary and backup scheduler differential effective July 2008	$8,870	$67,180	$67,180
		Hazardous materials, breathing apparatus technician certification, fire code, fire investigation, urban search and rescue, swift water rescue, and scheduler assignment pay increase to $1,837 July 2009			
17.2	Special Pay Differentials	EMT and CRT certification pay and hourly differentials. CRT/CRT-I: $4,515; EMT-P - $6,080 (0-4 years), $7,391 (5-8 years), $8,701 (8+ years); hourly differentials increase by $2.00 July 2010	-	-	199,670
19	Wages	GWA and service increments. 2% July 2008; 2% January 2009; 4%	4,282,840	10,597,550	18,968,710
		New longevity adjustment at 28 years of service July 2009	-	303,910	303,910
20	Insurance	Paygo impact: County contribution fixed to 80% of standard option (employee may buy-up at their own cost), restrict generics, incentivize mail order; high option copayments remain $4/$8	(108,260)	(216,510)	(216,510)
		OPEB impact: $2.4 million reduction in the AAL	-	(128,570)	(162,860)
51	Pensions	Expansion of the list of illnesses for which an employee is automatically entitled to a service-connected disability retirement ($1.6 million increase in AAL)	-	199,000	199,000
54	Tuition Assistance	Increase the maximum allowable $100 each fiscal year to $1,630, $1,730, and $1,830 in FY09 through FY11, respectively	5,910	11,830	13,720
57	ECC	Increase ECC certification pay to $2,000 annually beginning July 2009	-	19,380	19,380
22	Prevailing Rights	Bottled water provided at each station	30,000	30,000	30,000
Side Letter	Drug Testing	Random drug testing	15,000	15,000	15,000
Side Letter	Parking	Worksite parking improvements	31,500	31,500	31,500
		Total	**$4,265,860**	**$10,930,270**	**$19,468,700**

Fire and Rescue Service Management
Fiscal Impact Statement

Item	Description	FY09	FY10	FY11
Wages	GWA and service increments. 2% July 2008; 2% January 2009; 4% July 2009; 3.5% July 2010; schedule adjustment July 2010	$250,150	$679,530	$1,285,300
	New longevity adjustment at 28 years of service July 2009	-	152,430	152,430
Insurance	Paygo impact: County contribution fixed to 80% of standard option (employee may buy-up at their own cost), restrict generics, incentivize mail order; high option copayments remain $4/$8	(4,870)	(9,750)	(9,750)
Pensions	Expansion of the list of illnesses for which an employee is automatically entitled to a service-connected disability retirement ($89,000 increase in AAL)	-	9,000	9,000
Drug Testing	Random drug testing	530	530	530
	Total	**$245,810**	**$831,740**	**$1,437,510**

Pass-Through Costs for Non-represented Employees
Fiscal Impact Summary

Item	Description	FY09	FY10
All Non-represented Employees			
Prescription Drug Coverage	Paygo impact: County contribution fixed to 80% of standard option (employee may buy-up at their own cost), restrict generics, incentivize mail order; increase high option copayments to $5/$10	(211,410)	(422,810)
	OPEB impact: $4.4 million reduction in the AAL		(257,140)
Non-represented Public Safety Employees Only			
Social Security Integration (Group E)	Group E: Increase social security integration multiplier from 1.25% to 1.65% ($2.6 million increase in the AAL)		279,000
DROP/ Credited Service	Group F: Establish DROP program; increase credited service to a maximum of 36 years, including sick leave credits; and establish eligibility for unreduced pension with 25 years of service, regardless of age ($898,000 increase in AAL)		111,000
Other Non-represented Employees Only			
RSP/GRIP	Increase employer contributions from 6% to 8% effective July 2008; offer GRIP July 1, 2009; implement 6-month election period for employees hired on or after July 1, 2009[1]	$1,592,980	1,197,000
County Retirees			
Prescription Drug Coverage	Paygo impact: County contribution fixed to 80% of standard option (employee may buy-up at their own cost), restrict generics, incentivize mail order; increase high option copayments to $5/$10	(471,370)	(942,730)
	OPEB impact: $11.9 million reduction in the AAL		(257,140)
Total Non-represented Pass-through Costs		**$910,200**	**$ (292,820)**

[1] The Board of Investment Trustees may incur additional recordkeeping costs of approximately $61,000.

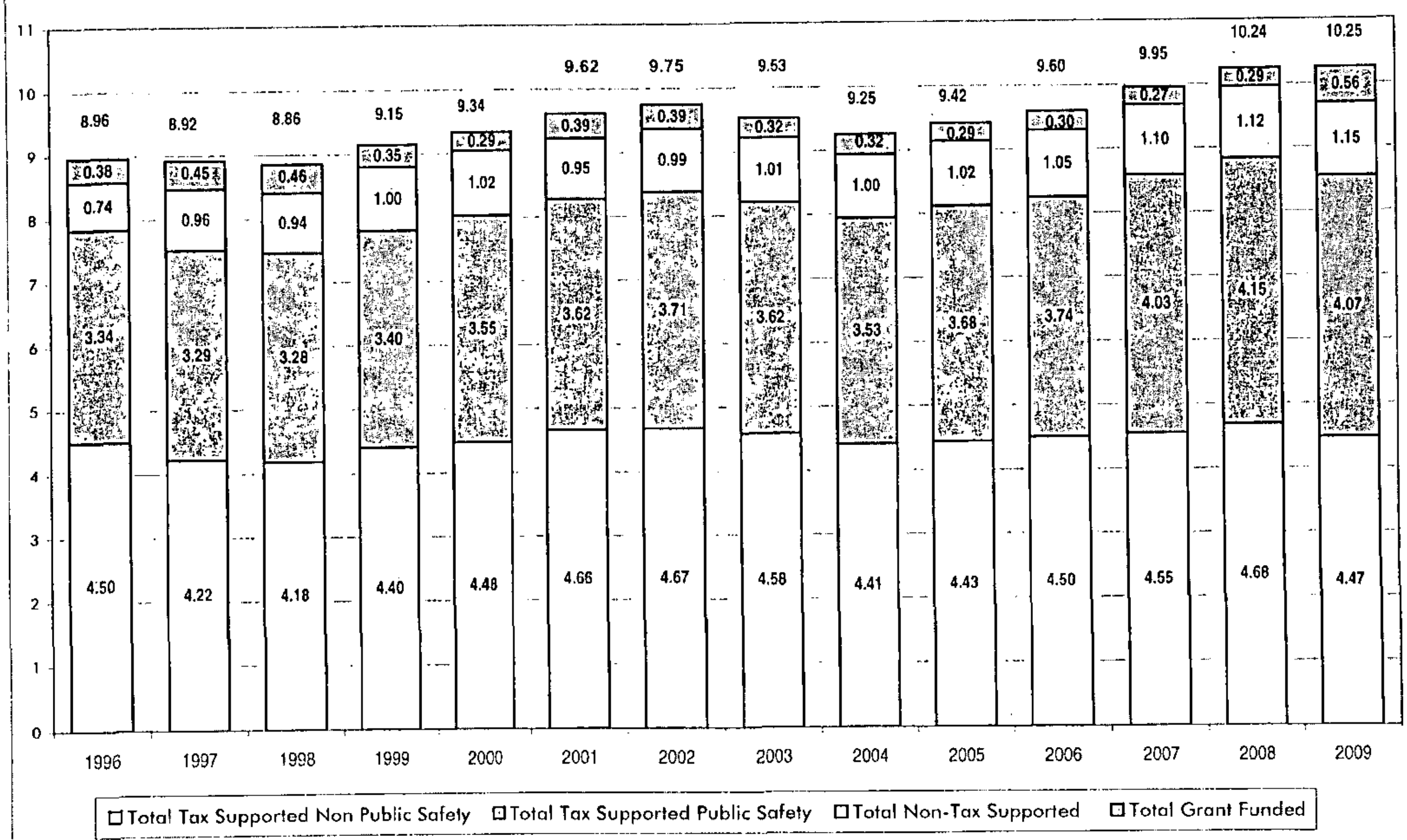
TOTAL COUNTY COST OF EMPLOYEE BENEFITS

DEPARTMENT	SOCIAL SECURITY	GROUP INSURANCE	RETIREMENT	TOTAL
General Fund Tax Supported				
Legislative				
Board of Appeals	32,860	24,650	53,400	110,910
County Council	479,720	685,900	820,200	1,985,820
Inspector General	36,800	32,200	40,470	109,470
Legislative Oversight	63,910	116,500	142,720	323,130
Merit System Protection Board	7,920	15,600	10,680	34,200
People's Counsel	12,340	1,530	33,280	47,150
Zoning & Administrative Hearings	25,340	24,250	30,140	79,730
Judicial				
Circuit Court	453,130	729,200	831,430	2,013,760
State's Attorney	676,010	948,970	1,103,360	2,728,340
General Government				
Board of Elections	172,400	201,270	180,840	554,510
Commission for Women	63,430	90,270	114,530	268,230
County Attorney	268,890	266,290	578,520	1,113,700
County Executive	309,560	491,240	551,630	1,352,430
Ethics Commission	14,050	22,160	40,970	77,180
Finance	498,280	972,300	929,580	2,400,160
General Services	774,040	1,875,570	1,726,710	4,376,320
Human Resources	297,880	303,780	499,310	1,100,970
Human Rights	124,670	165,040	305,150	594,860
Intergovernmental Relations	38,030	40,930	69,930	148,890
Management and Budget	213,690	246,190	350,640	810,520
Public Information	58,780	77,850	166,010	302,640
Regional Services Centers	191,560	263,380	471,880	926,820
Technology Services	1,033,020	1,515,440	1,746,570	4,295,030
Public Safety				
Consumer Protection	135,240	216,210	391,790	743,240
Correction and Rehabilitation	3,022,980	5,815,940	9,327,030	18,165,950
Emergency Management and Homeland Security	66,160	102,840	136,510	305,510
Police	10,229,730	19,266,740	35,048,500	64,544,970
Sheriff	967,210	1,707,500	2,860,360	5,535,070
Public Works and Transportation				
Transportation	1,418,740	3,372,850	3,105,170	7,896,760
Health and Human Services				
Health and Human Services	6,515,230	11,932,030	10,437,740	28,885,000
Culture and Recreation				
Public Libraries	1,762,160	3,485,980	3,444,800	8,692,940
Community Development and Housing				
Economic Development	276,470	455,350	397,740	1,129,560
Housing and Community Affairs	263,910	478,780	609,750	1,352,440
Environment				
Environmental Protection	201,010	354,760	326,480	882,250
Other County Government Functions				
NDA - Compensation Adjustment	-167,950	-38,870	-174,660	-381,480
NDA - Conference Center	7,110	5,360	7,430	19,900
NDA - State Positions Supplement	8,290	8,490	19,760	36,540
Total General Fund Tax Supported	**30,552,600**	**56,274,470**	**76,736,350**	**163,563,420**

TOTAL COUNTY COST OF EMPLOYEE BENEFITS

FUND	SOCIAL SECURITY	GROUP INSURANCE	RETIREMENT	TOTAL
Special Funds Tax Supported				
Economic Development	7,110	14,930	7,430	29,470
Fire	8,020,620	14,600,840	33,129,960	55,751,420
Mass Transit	3,270,390	8,014,790	4,859,400	16,144,580
Recreation	1,298,760	1,443,470	1,700,060	4,442,290
Urban District - Bethesda	3,510	9,660	3,670	16,840
Urban District - Silver Spring	107,080	192,710	104,210	404,000
Urban District - Wheaton	68,060	130,690	68,560	267,310
Total Special Funds Tax Supported	**12,775,530**	**24,407,090**	**39,873,290**	**77,055,910**
Total Tax Supported	**43,328,130**	**80,681,560**	**116,609,640**	**240,619,330**
Special Funds Non-Tax Supported				
Grant Fund - MCG	2,574,360	4,870,510	4,147,230	11,592,100
Cable Television	113,210	189,230	159,160	461,600
Montgomery Housing Initiative	66,300	125,850	119,610	311,760
Water Quality Protection Fund	101,670	192,610	164,660	458,940
Total Special Funds Non-Tax Supported	**2,855,540**	**5,378,200**	**4,590,660**	**12,824,400**
Enterprise Fund Non-Tax Supported				
Community Use of Public Facilities	133,280	293,800	228,810	655,890
Liquor Control	1,390,120	2,853,200	2,225,870	6,469,190
Parking District - Bethesda	107,320	190,840	181,490	479,650
Parking District - Montgomery Hills	2,160	3,770	3,460	9,390
Parking District - Silver Spring	116,650	199,810	185,250	501,710
Parking District - Wheaton	15,300	31,290	25,890	72,480
Permitting Services	1,307,620	2,271,690	2,811,500	6,390,810
Solid Waste Collection	65,450	113,680	127,990	307,120
Solid Waste Disposal	493,170	997,430	819,410	2,310,010
Vacuum Leaf Collection	197,760	398,410	319,040	915,210
Total Enterprise Fund Non-Tax Supported	**3,828,830**	**7,353,920**	**6,928,710**	**18,111,460**
Total Non-Tax Supported	**6,684,370**	**12,732,120**	**11,519,370**	**30,935,860**
Internal Service Funds				
Employee Health Benefit Self Insurance Fund	76,240	140,520	98,090	314,850
Motor Pool	1,064,960	2,190,250	1,588,090	4,843,300
Printing & Mail	132,490	230,050	318,630	681,170
Self Insurance	206,180	340,590	339,890	886,660
Total Internal Service Funds	**1,479,870**	**2,901,410**	**2,344,700**	**6,725,980**

HISTORY OF APPROVED COUNTY GOVERNMENT WORKYEARS PER 1,000 POPULATION BY FUNDING CATEGORY: FY96-FY08 Approved, FY09 Recommended



Source: D-3

Board of Investment Trustees

Montgomery County Employee Retirement Plans

Annual Report

Fiscal Year ending June 30, 2007

Overview

December 1, 2007

To: Employees, Retirees, and Beneficiaries

From: Board of Investment Trustees

The mission of the Board of Investment Trustees is to manage prudent investment programs for the members of the Employee Retirement Plans and their beneficiaries. The County's Chief Administrative Officer is responsible for overseeing the day-to-day administration of the retirement plans.

We are pleased to present this annual report for the fiscal year ending June 30, 2007 on the three investment programs established for the retirement plans:

•The Employees' Retirement System (ERS) is a defined benefit pension plan with net assets of $2.7 billion, established in 1965 and closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees. As of June 30, 2007 the ERS had 5,294active participants and 4,997 retirees and beneficiaries receiving benefits.

•The Retirement Savings Plan (RSP) was established in 1994 as a defined contribution plan providing benefits to all non-public safety and certain public safety employees hired on or after October 1, 1994. As of June 30, 2007 the RSP had $120.6 million in net assets and 4,964 (4,253 active and 711 inactive) participants.

•The County Deferred Compensation Plan (DCP) is a voluntary plan established pursuant to Section 457 of the Internal Revenue Code. As of June 30, 2007 the DCP had $249.8 million in net assets and 3,940 participants.

Shown below is a condensed presentation of the Net Assets and Change in Net Assets from the Comprehensive Annual Financial Report for the retirement plans for the period ending June 30, 2007:

Net Assets (Millions)

	ERS		RSP		DCP	
	2007	2006	2007	2006	2007	2006
Assets:						
Cash and investments	3,086.0	$ 2,633.0	$ 119.6	$ 89.2	$ 248.9	$ 212.4
Receivables	17.3	14.4	1.0	1.0	1.0	0.9
Total assets	3,103.3	2,647.4	120.6	90.2	249.9	213.3
Liabilities	389.0	339.7	-	-	-	-
Total net assets	$ 2,714.3	$ 2,307.7	$ 120.6	$ 90.2	$ 249.9	$ 213.3

Change in Net Assets (Millions)

	ERS		RSP		DCP	
	2007	2006	2007	2006	2007	2006
Additions:						
Employer contributions	$ 109.4	$ 88.2	$ 11.2	$ 9.4	$ -	$ -
Member contributions	16.4	16.1	6.8	5.9	16.6	16.5
Net investment income	420.8	187.0	17.1	8.2	32.4	20.5
Total additions	546.6	291.3	35.1	23.5	49.0	37.0
Deductions:						
Benefits	136.8	125.9	-	-	-	-
Refunds	0.8	0.6	4.4	4.3	12.4	11.2
Administrative expenses	2.4	1.9	0.3	0.2	-	-
Total deductions	140.0	128.4	4.7	4.5	12.4	11.2
Total change in net assets	$ 406.6	$ 162.9	$ 30.4	$ 19.0	$ 36.6	$ 25.8

For detailed information on all three retirement plans, please visit the Board's web site at www.montgomerycountymd.gov\bit. For questions, please call the Board office at 240-777-8220.

44

Board of Investment Trustees

Kelda J.C. Simpson
Chair
Public Representative
Term Expires March 2008

Sharon M. Cayelli
Vice Chair
Public Representative
Term Expires March 2008

Gino Renne
Secretary
Employee Organization Representative
Term Expires March 2010

Joseph Adler
Montgomery County Director
Of Human Resources
Ex-Officio Member

Walter E. Bader
Employee Organization Representative
Term Expires March 2008

Jennifer E. Barrett
Montgomery County Director of Finance
Ex-Officio Member

Joseph F. Beach
Montgomery County Director of
Management and Budget
Ex-Officio Member

Jeffrey D. Buddle
Employee Organization Representative Term
Expires March 2008

Stephen B. Farber
Montgomery County Council Staff Director
Ex-Officio Member

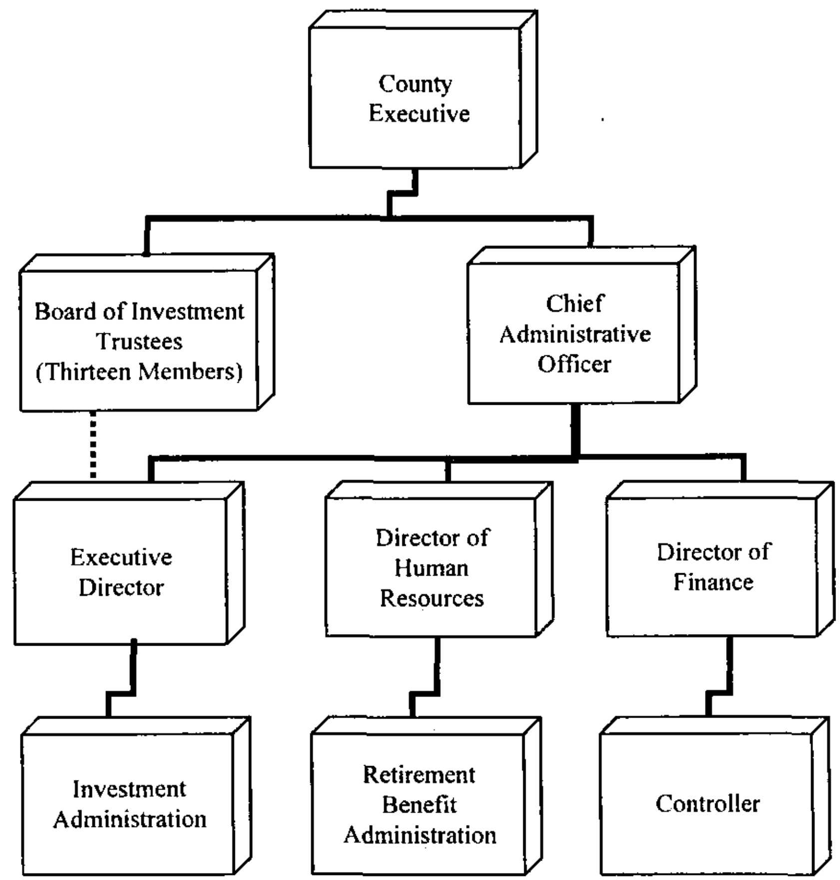
J. Lodge Gillespie, Jr.
Montgomery County Council Representative
Term Expires March 2009

Cora M. Ingrim
Montgomery County Council Representative
Term Expires March 2008

Sandra P. Kaiser
Montgomery County
Department of Recreation
Non-Bargaining Unit Representative
Term Expires March 2008

Mary E. Menke
Retired Employees Representative
Term Expires March 2009

Retirement Plans
Administrative Organization



Board Actions During FY 2007

- ***Employees' Retirement System***
  - *Conducted asset liability study resulting in the implementation of a revised strategic asset allocation which will result in further diversification of the investment portfolio by adding new investment strategies, better management of the total portfolio's risk and increased investment returns.*
  - *Expanded investment portfolio to include: currency overlay mandates, portable alpha, and the addition of two direct private equity fund-of-funds.*
  - *Instituted several cost saving measures (including fee reductions) and revenue enhancements (increased revenue from securities lending).*

- ***Retirement Savings Plan***
  - *Developed web based online system for participants to register for counseling and educational sessions.*
  - *Lowered the amount of revenue sharing received by Fidelity by offering additional onsite counseling sessions to participants.*
  - *Added new fund offerings effective September 2007 to afford participants the opportunity to invest in specific market sectors.*

- ***Deferred Compensation Plan***
  - *Lowered the revenue sharing received by CitiStreet by offering lower-cost share classes for The Growth Fund of America, Oppenheimer's Global, and Legg Mason Small Cap Growth Fund resulting in lower fees to participants.*
  - *Added new fund offerings effective September 2007 to afford participants the opportunity to invest in specific market sectors.*
  - *Held annual benefit fair to respond to participant questions and continued to offer bi-weekly investment seminars to provide participants with information on investment options, asset allocation and other investment topics.*

Board Achievements

- ***Certificate of Achievement for Excellence in Financial Reporting***
  - *The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement to the Board for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. The certificate of achievement is a prestigious national award that recognizes conformance with the highest standards in government accounting and financial reporting. The Board has received this award for each of the seven years that it has published its own CAFR.*

- ***Employees' Retirement System***
  - *The ERS achieved an investment return of 18.22% (after management fees) for the year ended June 30, 2007. The ERS return ranked in the top 9 percent, or better than 91 percent of returns achieved by similar public pension funds reporting results for the one year period. For the three and five year periods, the Board ranked in the 21st and 11th percentile of the universe, respectively.*

- ***Retirement Savings Plan***
  - *As of June 30, 2007 53% of the funds offered through Fidelity were rated as four or five star funds by Morningstar (five star is the highest rating). The one year return for the Plan was 17.36%.*

- ***Deferred Compensation Plan***
  - *As of June 30, 2007 68% of the funds offered through CitiStreet were rated as four or five star funds by Morningstar (five star is the highest rating). The one year return for the Plan was 14.91%.*

(47)

Current Board Initiatives

- ***Employees' Retirement System***
  - *Implement the revised strategic asset allocation for the ERS, which will result in a gradual rebalancing of assets and implementation of possible new investment strategies taking place over the next several years.*
  - *Add long-duration securities to the Plan's portfolio to provide a better matching to the Plan's liabilities. Determine the feasibility of using absolute return strategies to produce additional alpha over the market returns.*
  - *Build out the private equity and private real estate allocations on an opportunistic basis.*
  - *Continue to use the Value at Risk (VaR) analysis and the risk budget to analyze, evaluate, and monitor the risk of each investment manager/sector versus its contribution both in return and in diversification to the ERS' portfolio to achieve the highest possible risk adjusted return within an acceptable level of risk.*

- ***Retirement Savings Plan***
  - *Review the mutual funds offered to participants to ensure that a diversified slate of top quality funds is available at the lowest possible fee.*
  - *Continue to expand investment education programs by:*
    - *Notifying participants quarterly of the availability of free annual investment counseling sessions with a feature of the program or investing being highlighted each month, such as the asset allocation, financial planning, Fidelity's web site, etc.*
    - *Sending emails to participants periodically to highlight the importance of personal financial planning in addition to retirement plans.*
    - *Requesting Fidelity expand the number of one-on-one counseling sessions available to provide investment question/answer sessions for participants and onsite services at their local office in Bethesda.*

- ***Deferred Compensation Plan***
  - *Replace the BGI Lifepath mutual fund options with the commingled fund options resulting in lower fees to participants.*
  - *Explore the possibility of offering an annuity payout option.*
  - *Continue to evaluate the investment program to ensure that fund offerings are among the best performers, as measured by an independent source, have the lowest cost, and are managed by strong companies in compliance with regulatory agencies.*
  - *Expand investment services to help participants receive information quickly and easily, increase their knowledge of investment matters, and receive support in retirement planning.*

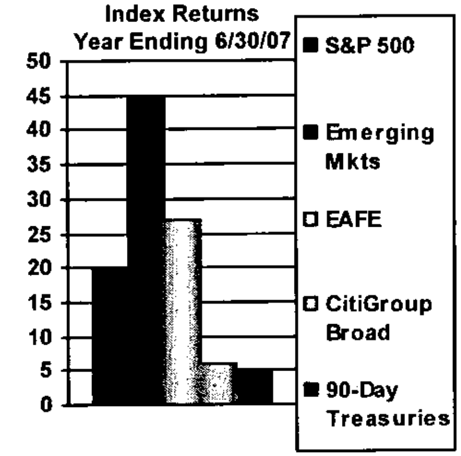
47

Market Highlights – ERS Investment Performance

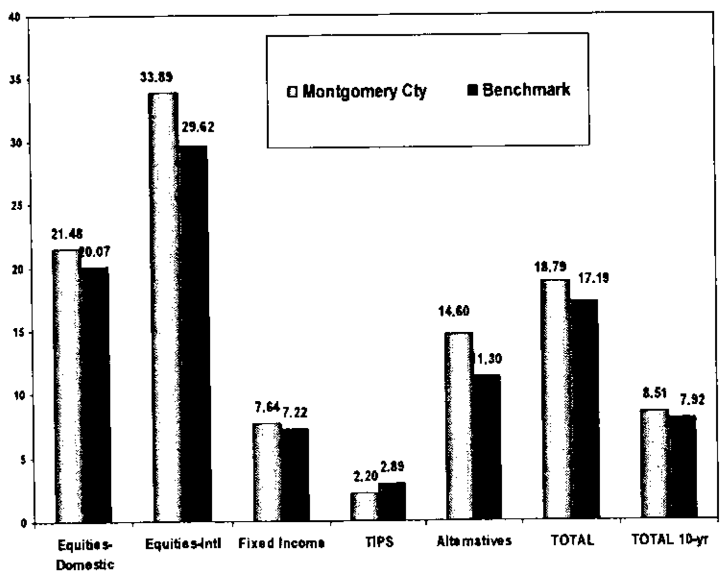
As shown in the chart to the right, market returns for the year ending June 30, 2007 were mixed. The best performing sectors were international stocks, as measured by the EAFE Index, up 27.00% and emerging market stocks which gained 44.99%. In comparison, the broad U.S. market returned 19.87% as measured by the S&P 500 index. For the first year in the last several, smaller value type stocks were not the top performer and underperformed their growth counterparts as well as the broad market.

Within the fixed income sector, high yield bonds (below investment grade bonds) were the strongest performing sector returning 11.44%. The broad bond market, as measured by the CitiGroup Broad Index, was up 6.08% for the 12 month period.

The Federal Reserve kept rates (the Fed Funds rate) on hold at 5.25% for the 12 month period as inflation pressures moderated and they attempted to manage the slowing housing market. This was in sharp contrast to the previous seventeen raises since 2004 in which Fed action resulted in moving the rate *from* 1% to 5.25%.



Employees' Retirement System
FY 2007 Returns by Asset Class-Gross of fees



The Board allocates ERS assets to a broad array of investment sectors resulting in the following allocation as of June 30, 2007: domestic equities 41%, private equity 4%, international equities 21%, domestic fixed income 23%, global inflation index bonds 10%, and real estate 1%. The chart to the left reflects the returns for the fiscal year ending June 30, 2007 achieved by the ERS assets in each investment sector compared to the corresponding benchmark. The Board establishes benchmarks for each market sector, usually an index of companies that represent most of the available investment opportunities within that sector, to evaluate the performance of the investment managers within each sector.

In overseeing the management of ERS assets, the Board has developed sound and prudent investment policies. The Board works to control the risk to which the ERS is exposed while maximizing the potential for long term increases in the value of the assets. The Board's specific investment objectives are to:

- realize the actuarial assumed rate of return of 8 percent annually, over a long term time horizon (for the 1998-2007 fiscal year decade, the annual rate of return on the ERS' investments was 8.51% before fees);
- manage portfolio risk to limit potential downside fluctuations in the value of the total ERS assets; and
- realize as high a rate of total return as possible consistent with the above.

Employees' Retirement System (ERS)

- ***How do I know if I'm a participant in this plan?***

  Employees who participate in the ERS have the following description on their pay stub next to the bi-weekly contribution amount: RETIRE

- ***How is my benefit calculated?***

  Under County law your benefit is based on your salary, years of credited service, and age at retirement and is not based on the amount you contributed or the investment earnings of the ERS.

- ***How can I find more information on my benefit?***

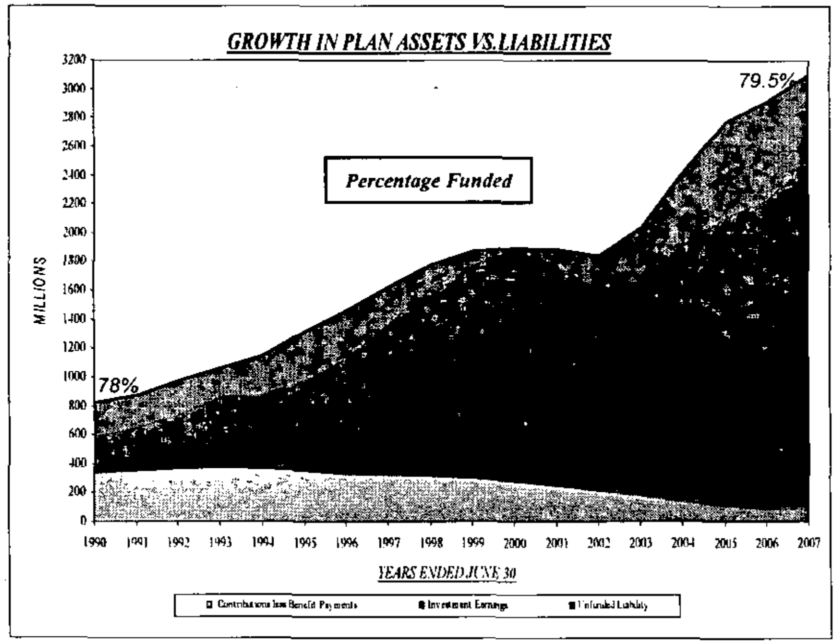
  Contact the Office of Human Resources at 240-777-5120.

- ***How does the amount earned on invested assets impact the ERS?***

  While your ERS benefit is paid in accordance with County law, you may be interested in knowing about the status of the assets and liabilities of the ERS. Please refer to the chart to the right for a 17-year history. Your contributions, along with the County's, are used primarily to make benefit payments to retirees and beneficiaries and pay other costs associated with the administration of the ERS (shown as the bottom layer in the chart).

The earnings (shown as the solid middle layer in the chart) represent the bulk of the growth in assets over the years. In funding the ERS, the County assumes the assets will earn 8% per year. During the strong equity markets of the late 1990s, the assets grew at nearly double that amount, and the funded status of the ERS was strengthened.

As of June 30, 2000 the ERS was nearly fully-funded, but because of the difficult financial markets in 2000-2002 and increased liabilities for higher future benefit payments, the funded status decreased. As of June 30, 2007, the ERS was 79.5% funded. The area shown as the top layer reflects the additional amount required ($637 million) for the ERS to achieve fully-funded status. As noted earlier, the Board continues to implement sound and prudent investment policies that will maximize the potential for long-term increases in the value of the assets.



Retirement Savings Plan (RSP)

The County established the Retirement Savings Plan for all non-public safety and certain public safety employees not represented by a collective bargaining agreement hired after October 1, 1994. The Plan requires employees to contribute 3% of regular earnings up to the Social Security wage base and 6% above the wage base. The County contributes 6% and 10% of regular earnings for non-public safety and some public safety employees, respectively.

- ***How do I know if I'm a participant in this plan?***

  Employees who participate in the RSP have the following description on their pay stub next to the bi-weekly contribution amount: RET SAV.

- ***How is my retirement benefit calculated?***

  Your benefit is based on your account balance at the time of retirement or separation of service. The balance includes your contributions, the County's contributions (if you're vested) and investment earnings.

- ***How can I find out more information on my account balance and benefit eligibility?***

  Contact Fidelity Investments at 1-800-343-0860 or visit their web site at www.fidelity.com.

The Board oversees the investment program, providing a variety of mutual fund options for participants to choose from. The Board evaluates the performance of the funds offered quarterly.

The Board also provides two hours of investment counseling annually to all participants at no charge, as well as group sessions, to encourage participants to expand their knowledge of investment products. Call 1-800-999-9722 to sign up or visit the Board's web site, www.montgomerycountymd.gov/bit.

Shown to the right is a list of the investment funds offered, along with their Morningstar rating and annualized performance as of June 30, 2007. Fidelity's web site, www.fidelity.com, is an invaluable source of information. The web site contains:

✓Your RSP account activity

✓Analysis and performance information on all of the funds offered and information on investment markets

✓Financial tools to assist you in determining the amount you'll need at retirement

Funds		Morningstar Rating	Rates of Return		
			1 Year	5 Year	10 Year
Stable Value Funds:					
	Fidelity Managed Income	not rated	4.28	4.21	5.00
Income Funds:					
	Fidelity Capital & Income	★★★★★	15.28	17.07	8.05
	Fidelity Intermediate Bond	★★★	5.41	4.23	5.58
	Fidelity U.S. Bond Index	★★★★	6.03	4.66	6.03
	Fidelity Inflation-Protected Bond	★★★	3.37	5.54	n/a
Balanced Funds:					
	Fidelity Puritan	★★★★	17.70	10.14	7.94
Life-Cycle Funds:					
	Fidelity Freedom 2000	★★★★	9.80	5.72	6.36
	Fidelity Freedom 2005	★★★★	13.64	n/a	n/a
	Fidelity Freedom 2010	★★★★★	14.01	8.61	7.72
	Fidelity Freedom 2015	★★★	15.19	n/a	n/a
	Fidelity Freedom 2020	★★★	17.16	10.74	8.19
	Fidelity Freedom 2025	★★★★	17.68	n/a	n/a
	Fidelity Freedom 2030	★★★★	19.40	11.71	8.19
	Fidelity Freedom 2035	★★★	19.46	n/a	n/a
	Fidelity Freedom 2040	★★★★	20.13	12.27	n/a
	Fidelity Freedom 2045	not rated	20.44	n/a	n/a
	Fidelity Freedom 2050	not rated	20.74	n/a	n/a
	Fidelity Freedom Income	★★★	8.66	5.10	5.63
Growth & Income Funds:					
	Fidelity Equity-Income	★★★	23.67	11.96	8.52
	Fidelity Growth & Income	★★★	17.25	7.60	6.10
	Spartan Extended Market Index	★★★★	19.69	15.88	n/a
	Spartan Total Market Index	★★★★	20.37	11.79	n/a
	Spartan U.S. Equity Index	★★★	20.49	10.60	6.98
Growth Funds:					
	Fidelity Contrafund	★★★★★	16.98	13.67	10.79
	Fidelity Growth Company	★★★★	18.62	13.81	9.21
	Fidelity Low-Priced Stock	★★★★★	22.27	16.15	15.02
	Fidelity Small Cap	★★★	18.91	14.41	n/a
	Artisan Small Cap	★★★	13.47	12.53	6.97
	Fidelity Value	★★★★	23.80	16.12	11.55
International Stock Funds:					
	Fidelity Diversified International	★★★★	25.72	19.02	12.78
	Templeton World - A Class	★★★	23.27	14.50	9.14
	Spartan International Index	★★★★	27.12	17.48	n/a
Specialty Funds:					
	Fidelity Real Estate Investment	★★★	9.26	18.54	13.43

5

Deferred Compensation Plan (DCP)

The County established the Deferred Compensation Plan for employees in 1980. In June 2004, the Board selected CitiStreet to provide mutual and commingled fund investment vehicles for participants. The Board evaluates the investment performance of the funds offered quarterly. Shown below is a list of the funds available as of June 30, 2007, along with their Morningstar rating and annualized performance as of June 30, 2007. Additional information on the investment program is available on the Plan web site at http://montgomerycountymd.csplans.com and the Board's web site at www.montgomerycountymd.gov/bit.

- ***How do I know if I'm eligible to participate in this plan?***

  Non-represented employees are eligible to join the DCP at any time. Employees who are members of MCGEO, and were hired prior to March 1, 2005, may also join the plan at any time. MCGEO members hired after March 1, 2005 are not eligible to participate. Employees represented by the FOP or the IAFF are not eligible to make contributions to the DCP.

- ***How is my retirement benefit calculated?***

  Your benefit is based on your account balance at the time of retirement or separation of service. The balance includes your contributions and investment earnings.

- ***How can I find out more information on my account balance and benefit eligibility?***

  Contact the CitiStreet onsite representative at 240-777-5054 or stop by the CitiStreet Office located in the Executive Office Building, Office of Human Resources, 101 Monroe Street, 7th floor. Additional information is also available at the CitiStreet website http://montgomerycountymd.csplans.com.

CitiStreet		Rates of Return		
Funds	Morningstar Rating	1 Year	5 Year	10 Year
Stable Value Funds:				
SEI Stable Asset	not rated	4.27	3.95	4.75
Income Funds:				
Fidelity Inflation-Protected Bond	★★★★	3.37	5.54	n/a
Goldman Sachs Short Gov't Fund	★★★	4.54	2.63	4.42
Hartford Bond	★★★★★	6.53	5.63	6.44
PIMCO High Yield	★★★★	9.94	10.29	6.48
SSgA Passive Aggregate	not rated	6.04	4.29	5.78
Life-Cycle Funds:				
BGI Lifepath Retirement	★★★★	10.10	6.56	5.96
BGI Lifepath 2010	★★★★	11.19	7.36	6.24
BGI Lifepath 2020	★★★	13.88	9.20	6.68
BGI Lifepath 2030	★★★	15.88	10.46	7.05
BGI Lifepath 2040	★★★★	17.63	11.48	7.05
Growth & Income Funds:				
Hartford Dividend & Growth	★★★★	24.59	12.16	9.38
SSgA S&P 500 Index	not rated	20.43	10.57	6.95
SSgA Mid Small Index	not rated	18.74	15.06	9.28
SSgA Tuckerman REIT	★★★	10.43	19.01	n/a
Growth Funds:				
Legg Mason Appreciation	★★★★	17.49	9.91	7.97
Hartford Capital Appreciation	★★★★★	25.25	19.24	13.85
Amer. Funds: Growth Fund	★★★★★	17.91	13.69	n/a
Fidelity Low-Priced Stock	★★★★★	22.27	16.15	15.02
Fidelity Small Cap	★★★	18.91	14.14	n/a
Legg Mason Sm Cap Grwth	★★★	19.65	n/a	n/a
International Stock Funds:				
Fidelity Diversified International	★★★★	25.72	19.02	12.78
Oppenheimer Global	★★★★	23.15	15.98	n/a
SSgA daily EAFE	not rated	26.80	17.40	7.43

(5)

5. GASB Standards Statement Nos. 25 and 27

Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets[a]	(2) Actuarial Accrued Liability	(3) Unfunded Actuarial Accrued Liability (2) - (1)	(4) Funded Ratio (1) ÷ (2)	(5) Covered Payroll [b]	(6) UAAL as a Percentage of Covered Payroll (3) ÷ (5)
7/1/98	1,496,651,390	1,660,034,038	163,382,648	90.2%	296,882,318	55.0%
7/1/99[c]	1,707,450,187	1,818,990,623	111,540,436	93.9%	300,119,136	37.2%
7/1/00[d]	1,911,114,401	1,931,914,313	20,799,912	98.9%	307,367,030	6.8%
7/1/01[c]	1,990,882,017	2,111,946,453	121,064,436	94.3%	318,682,907	38.0%
7/1/02	2,036,100,709	2,273,179,216	237,078,507	89.6%	333,449,862	71.1%
7/1/03	2,029,314,438	2,411,492,724	382,178,286	84.2%	336,019,788	113.7%
7/1/04[c]	2,045,098,796	2,561,328,232	516,229,436	79.8%	341,629,327	151.1%
7/1/05[cd]	2,100,532,623	2,775,047,412	674,514,789	75.7%	355,105,993	189.9%
7/1/06[d]	2,222,724,295	2,918,336,073	695,611,778	76.2%	357,361,131	194.7%
7/1/07	2,469,933,200	3,100,637,723	630,704,523	79.7%	374,792,609	168.3%

[a] *Excluding any accrued contribution*

[b] *Total payroll for active participants under retirement age was used for years prior to July 1, 2002. Beginning July 1, 2002, payroll for all active participants was used.*

[c] *After plan changes*

[d] *Revised actuarial assumptions*

Effective July 1, 2001, the actuarial value of assets and the actuarial accrued liabilities do not include the value of Aetna's non-participating annuity contract.

Analysis of the dollar amounts of plan assets, Actuarial Accrued Liability, and Unfunded Actuarial Accrued Liability in isolation can be misleading. Expressing the assets as a percentage of the Actuarial Accrued Liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in Unfunded Actuarial Accrued Liability and annual covered payroll are both affected by inflation. Expressing the Unfunded Actuarial Accrued Liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

Additional information required by GASB Nos. 25 and 27 is prepared by the County.

52

Group Insurance for Retirees

Group insurance is provided to an estimated 4,300 retired County employees and survivors, as well as retirees of participating outside agencies. Employees hired before January 1, 1987, are eligible upon retirement to pay 20 percent of the premium for health and life insurance for the same number of years (after retirement) that they were eligible to participate in the group insurance plan as an active employee. The County government pays the remaining 80 percent of the premium. Thereafter, these retirees pay 100 percent of the premium. Employees hired before January 1, 1987, are also offered the option at retirement to convert from the 20/80 arrangement to a lifetime cost sharing option.

Employees hired after January 1, 1987, are eligible upon retirement for a lifetime cost sharing option under which the County pays 70 percent of the premium and the retiree pays 30 percent of the premium for life for retirees who were eligible to participate in the County group insurance plan for 15 or more years as active employees. Minimum participation eligibility of five years as an active employee is necessary to be eligible for the lifetime plan. The County will pay 50 percent of the premium for retirees with five years of participation as an active employee. The County contribution to the payment of the premium increases by two percent for each additional year of participation up to the 70 percent maximum.

On March 5, 2002, the County Council approved a one-time opportunity for retirees still under the 20/80 arrangement with an expiration date to elect the lifetime cost sharing arrangement. The new percentage paid by the County for those electing this arrangement ranges from 50 percent to 68 percent, depending upon years of active eligibility under the plan and years since retirement. The cost sharing election process has been completed.

The budget does not include employer contributions from participating outside agencies.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	**24,810,190**	**0.0**
Increase Cost: Group Insurance for Retirees - estimated revenue increase	2,223,670	0.0
Decrease Cost: Prescription drug claims cost savings	-1,308,530	0.0
FY09 CE Recommended	**25,725,330**	**0.0**

Judges Retirement Contributions

This NDA provides pensions for retired Judges who were on the bench prior to 1968 in the Circuit Court and the People's Court (District Court) of Montgomery County and for their surviving spouses.

The Circuit Court pension is calculated at one percent of the net supplement paid by the County to the salaries of the Circuit Court Judges as of May 31, 1968, multiplied by the number of years of active service as a Judge (up to a maximum of 20 years). The surviving spouse receives one-half of the pension to which the Judge would have been entitled. The benefits are authorized in Section 12-10 of the Montgomery County Code.

The People's Court (District Court) pension is based on the current salary of a District Court Judge. A retired Judge receives 60 percent of the current salary of a District Court Judge, while a surviving spouse receives one-half of the pension to which the Judge would have been entitled. The benefits are authorized in Article 73B, Section 63(b) of the Annotated Code of Maryland. This NDA may be increased to include a cost of living adjustment at a rate equal to that approved for District Court Judges by the General Assembly. If a cost of living adjustment is approved next fiscal year, the NDA will be adjusted as necessary by a year-end transfer.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	**3,740**	**0.0**
FY09 CE Recommended	**3,740**	**0.0**

Compensation and Employee Benefits Adjustments

This NDA contains a General Fund (-$1,929,410) and a Grant Fund ($361,480) appropriation, and provides funding for certain personnel costs related to adjustments in employee and retiree benefits, pay-for-performance awards for employees in the Management Leadership Service and non-represented employees, deferred compensation management, and unemployment insurance.

Early Retirement Incentive Program: The Executive recommends implementation of an early retirement incentive program to generate aggregate operating budget savings in FY09 (-$5,000,000).

Non-Qualified Retirement Plan: This provides funding for that portion of a retiree's benefit payment that exceeds the Internal Revenue Code's §415 limits on payments from a qualified retirement plan. Payment of these benefits from the County's Employees' Retirement System (ERS) would jeopardize the qualified nature of the County's ERS. The amount in this NDA will vary based on future changes in the Consumer Price Index (CPI) affecting benefit payments, new retirees with a non-qualified level of benefits, and changes in Federal law governing the level of qualified benefits.

Deferred Compensation Management: These costs are for management expenses required for administration of the County's deferred compensation program. Management expenses include legal and consulting fees, office supplies, printing and postage, and County staff support.

Management Leadership Service Performance-Based Pay Awards: In FY99, the County implemented the Management Leadership Service (MLS) which includes high level County employees with responsibility for developing and implementing policy and managing County programs and services. The MLS was formed for a number of reasons, including improving the quality and effectiveness of service delivery through management training, performance accountability, and appropriate compensation; providing organizational flexibility to respond to organizational needs; allowing managers to seek new challenges; and developing and encouraging a government-wide perspective among the County's managers. MLS employees are not eligible for service increments.

Unemployment Insurance: The County is self-insured for unemployment claims resulting from separations of service. Unemployment insurance is managed by the Office of Human Resources through a third party administrator who advises the County and monitors claims experience.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	**3,565,090**	**1.6**
Increase Cost: MLS Pay for Performance	8,040	0.0
Increase Cost: Increase personnel cost for performance management position (#14799) omitted from the MARC but included in the base	6,740	0.0
Increase Cost: GWA	2,130	0.0
Increase Cost: Retirement Adjustment	840	0.0
Increase Cost: Group Insurance Adjustment	320	0.0
Increase Cost: Printing Charge Adjustment	320	0.0
Increase Cost: Service Increment	210	0.0
Increase Cost: Mail Charges Adjustment	50	0.0
Decrease Cost: Deferred Compensation Management	-13,380	0.0
Shift: Longevity/performance Increment	-14,780	0.0
Shift: Longevity/performance Increment	-57,590	0.0
Decrease Cost: MLS Pay for Performance	-65,920	0.0
Decrease Cost: Early Retirement Program	-5,000,000	0.0
FY09 CE Recommended	**-1,567,930**	**1.6**

Retiree Health Benefits Trust

Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to what we have been doing for retiree pension benefits for more than 50 years. The reasons for doing this are simple: due to exponential growth in expected retiree health costs, the cost of funding these benefits, which are currently paid out as the bills come due, may soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which will be invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but which will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is $2.6 billion – more than *half* the total FY09 budget for all agencies.

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits. This amount, known as an Annual Required Contribution or "ARC", was calculated for County agencies last year to be $240 million, or nearly $190 million more than the previous annual payment for current retirees. Still too large an amount to be set aside all at once in FY08, the County chose a further approach of "ramping up" to the ARC amount over several years, with the amount set aside each year increasing steadily until the full ARC is reached. A total of $31.9 million for all tax supported agencies was budgeted for this purpose in FY08.

For FY09, the ARC has been recalculated and is now estimated at $250 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay-as-you-go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay-as-you-go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis. For FY09, a ramp-up period of eight years has been assumed, up from the five year phase-in that was planned in FY08. This lengthening of the phase-in period is being implemented in response to the County's fiscal situation, and results in a contribution for all County tax-supported agencies of $55.15 million in FY09, down from $70.73 million called for under the previous plan.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	**12,067,320**	**0.0**
Increase Cost: Additional cost to pre-fund retiree health insurance on the multi-year schedule	11,882,270	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-4,377,660	0.0
FY09 CE Recommended	**19,571,930**	**0.0**

State Positions Supplement

This NDA provides for the County supplement to State salaries and fringe benefits for secretarial assistance for the resident judges of the Maryland appellate court and for certain employees in the Office of Child Care Licensing and Regulation in the Maryland State Department of Human Resources.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	**119,330**	**0.0**
Increase Cost: GWA	15,990	0.0
Increase Cost: Annualization of FY08 Personnel Costs	6,430	0.0
Increase Cost: Retirement Adjustment	2,590	0.0
Increase Cost: Group Insurance Adjustment	610	0.0
FY09 CE Recommended	**144,950**	**0.0**

55

State Retirement Contribution

This NDA provides for the County's payment of two items to the State Retirement System:

- Maryland State Retirement System: Unfunded accrued liability, as established by the Maryland State Retirement System (MSRS), for employees hired prior to July 1, 1984, who are members of the MSRS (including former Department of Social Services employees hired prior to July 1, 1984), and for those who have retired. (All County employees participated in the State Retirement System until 1965.) The County contribution for this account is determined by State actuaries. Beginning in FY81, the amount due was placed on a 40-year amortization schedule.

- State Library Retirement: Accrued liability for retirement costs for three Montgomery County Public Library retirees who are receiving a State retirement benefit. These were County employees prior to 1966 who opted to stay in the State plan.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	**890,580**	**0.0**
Increase Cost: Annual Adjustment	44,340	0.0
FY09 CE Recommended	**934,920**	**0.0**

56

Compensation NDA Components

	FY 08			FY 09			FY 08-09
Tax Supported	PC	OE	Total	PC	OE	Total	Change
Unemployment Insurance	-	250,000	250,000	-	250,000	250,000	-
Non-qualified Retirement	-	20,200	20,200	-	20,200	20,200	-
Deferred Compensation Mgt	83,990	54,500	138,490	91,310	34,170	125,480	(13,010)
Collective Bargaining Actuarial Services	-	75,000	75,000	-	75,000	75,000	-
MLS Pay for Performance	1,518,210	-	1,518,210	1,452,290	-	1,452,290	(65,920)
Performance Management Program	64,960	263,000	327,960	75,200	263,000	338,200	10,240
Nonrep Pay for Performance	809,420	-	809,420	809,420	-	809,420	-
Longevity/performance increment (1%)	57,590	-	57,590	-	-	-	(57,590)
Retirement Incentive Program	-	-	-	(5,000,000)	-	(5,000,000)	(5,000,000)
Total	**2,534,170**	**662,700**	**3,196,870**	**(2,571,780)**	**642,370**	**(1,929,410)**	(5,126,280)
Non-tax Supported							
MLS Pay for Performance	210,600	-	210,600	218,640	-	218,640	8,040
Nonrep Pay for Performance	142,840	-	142,840	142,840	-	142,840	-
Longevity/performance increment (1%)	14,780	-	14,780	-	-	-	(14,780)
Total	**368,220**	-	**368,220**	**361,480**	-	**361,480**	**(6,740)**
Total NDA	**2,902,390**	**662,700**	**3,565,090**	**(2,210,300)**	**642,370**	**(1,567,930)**	**(5,133,020)**

5

Resolution No.: 16-87
Introduced: March 27, 2007
Adopted: April 10, 2007

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

SUBJECT: Five-Year Funding Schedule for County Agencies' Annual Required Contribution for Other Post Employment Benefits (OPEB)

Background

1. The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to Other Post Employment Benefits (OPEB).

2. County agencies (the County Government, Montgomery County Public Schools, Montgomery College, the Washington Suburban Sanitary Commission [WSSC], and the Maryland-National Capital Park and Planning Commission [M-NCPPC]) are required to disclose their OPEB liabilities in their financial statements, starting with the fiscal year beginning July 1, 2007 (FY 2008).

3. In November 2006 the County obtained actuarial valuation information addressing the extent of the County's liability to its retirees for Other Post Employment Benefits as of July 1, 2006. Other County agencies have also obtained, or are in the process of obtaining, similar actuarial valuations. The OPEB reports are subject to a number of actuarial and economic assumptions; these assumptions were generally similar to the assumptions used in evaluating the County agencies' pension fund liabilities.

4. Based on the assumptions and qualifications stated therein, the OPEB reports concluded that, assuming full prefunding, the FY 2008 annual required contribution (ARC) for the County, its tax supported agencies, and the Montgomery County portion of the M-NCPPC is $240.0 million, and the related actuarial accrued liability (AAL) is $2.6 billion. The most recent ARC for WSSC is $19.1 million, and the related AAL is $200 million.

5. The County has determined that a five-year phase in of the difference between the current pay-as-you-go amount and the ARC would be a responsible approach to pre-funding, and believes that such an approach is acceptable to the rating agencies, which will be evaluating the County's response to the GASB disclosure requirements and its approach to any obligations to current and future retirees for post-employment health and other non-pension benefits.

6. Should the County establish a separate OPEB trust, and should the County adopt a written policy of its intent to phase-in full funding of the difference between the pay-as-you-go contributions and the ARC on an amortized even basis over a five-year period, it would be appropriate for the County agencies to use, in their actuarial valuations, a discount rate higher than their operating investment rate for accounting and budgeting purposes. Absent such a policy, County agencies would be required to record OPEB liabilities in their financial statement of almost twice as much as liabilities required with such a policy.

5B

Action

The County Council for Montgomery County, Maryland approves the following resolution:

1. The Council is committed to the responsible fiscal management of the County agencies' Other Post Employment Benefit obligations and acknowledges that County agencies intend to establish one or more Trusts, on or before July 1, 2007 if possible, for such purposes.

2. It is the Council's policy intent to fund the difference between the OPEB pay-as-you-go contributions and the annual required contribution, for the tax supported agencies, on an amortized even basis over a five-year period beginning with Fiscal Year 2008.

3. For WSSC and M-NCPPC, it is the Council's policy intent to support WSSC's and M-NCPPC's plans to implement a five-year phase in of the difference between the OPEB pay-as-you-go contributions and the ARC beginning with Fiscal Year 2008, in coordination with the Prince George's County Council.

This is a correct copy of Council action.

Linda M. Lauer

Linda M. Lauer, Clerk of the Council

59

MONTGOMERY COUNTY COUNCIL

2008 APR -7 PM 2:03

OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

April 7, 2008

TO: Michael J. Knapp, Council President

FROM: Isiah Leggett, County Executive I Leggett

SUBJECT: FY09 Operating Budget: County Reserves and Retiree's Health Insurance

As the Council begins its review of the FY09 operating budget, I wanted to express my concern with two potential approaches to identifying additional resources for the operating budget: lowering the County reserve levels for tax supported funds and further extension of the period for pre-funding health insurance benefits for retired employees. I understand the Council's desire to restore some of the reductions in the operating budget I was forced to make due to current fiscal constraints. However, for the reasons discussed below, this would be a short-sighted approach that would compound the structural imbalance in the County's budget. I believe that our options at this point are very limited and that bringing down the rate of growth in spending is the most responsible approach to putting the County's financial house in order.

Reserves – Maintain the policy at 6%

1) In relation to the County's nearly $4 billion tax supported budget, the projected FY09 undesignated reserves are a relatively small amount as the table below demonstrates:

Undesignated Reserve	109.496	2.76%
Designated Reserve	9.004	0.23%
Revenue Stabilization Fund	119.648	3.01%
Total Reserve	238.148	6.00%

   a. Reducing reserves to 5% reduces undesignated reserves by $40 million to $69.8 million.
   b. The FY08 revenue loss with transfer, recordation, and income tax was nearly $78 million. If this occurred again, the undesignated reserves would be eliminated, and we would have no funds for services as basic as snow removal, which typically costs in excess of $15 million, or any other unexpected mid-year supplemental or special appropriation.
   c. There would be a major draw on tax-supported resources to replenish the reserves in the coming fiscal year.

60

   d. We have few options to raise revenue mid-year. We can't raise property tax or income tax. The energy tax is already a big burden especially with utility costs.
   e. The probability of continued mid-year revenue losses remains high.

2) Uncertainty in the Economy:
   a. Economy continues to be unstable: major, daily market fluctuations
   b. Fed rate cuts have further reduced investment income
   c. Recordation tax in Feb was 44% below the previous year – Is this the bottom?
   d. Will the state have to make more cuts if its revenue declines?
      1. Speed cameras ($15 million in FY09), College Aid, Teacher pensions next?
   e. Revenue uncertainty: Ambulance fee ($6 M.) and controlling interest ($12.6 M.)

3) Uncertainty with Expenditures:
   a. Fuel and utilities: Ride On, Police Fleet
   b. Justice Department Audit of ADA compliance
   c. Public Safety Overtime
   d. Health care and Pension costs (market turmoil will require larger County contribution)

4) Be careful about the future
   a. Cutting reserves and replacing with ongoing costs creates a larger imbalance for FY10
   b. The gap is already over $200 M: will grow with additional spending or revenue losses.
   c. Can we exceed the charter limit two years in a row?

5) Rating agencies – where is the tipping point?
   a. We have changed our plan for retiree health funding in the face of a $3.2 billion liability
   b. Early retirement increases liability in pension fund
   c. Our funded ratio in pension plans is already lower than national averages (less than 80%)
   d. Could a smaller reserve be the straw that breaks the camel's back?
   e. Moody's report: imbalance between revenue and expenditures and use of reserves and the section on the economically sensitive taxes relative to the 6% -- Is it enough?

Retiree Health Benefits Funding – Do not go beyond 8 year phase-in

- County agencies have a sizeable liability related to health benefits it has promised to retirees.
- Currently, agencies pay for those costs on a pay-as-you-go basis. A claim for health services provided to an existing retiree is submitted and it is paid.

- The pay-as-you-go amount grows significantly each year as more and more employees retire and become eligible. For FY09 it is estimated at $80 million, an increase of 13% over FY08 and 25% over FY07. The Fitch credit rating agency notes that "Fitch believes that the looming OPEB liability for many governments, if not confronted over a reasonable time, will eventually manifest itself as a monumental budget challenge."
- The total liability for retiree health for county agencies is estimated at $3.2 billion and will continue to grow as the County hires new employees who will be eligible for the benefit.
- Confronting the liability means measuring it and funding it on an actuarial basis, as is done with pension benefits. It can also mean lowering benefit levels.
- To fund the County liability on an actuarial basis will require an annual contribution of $268 million.
- The longer we delay funding it on a full actuarial basis, the more it will cost. This is because funds not used to pay benefits will be invested and generate investment earnings.
- The County Council approved a policy last year to fund to full actuarial cost over 5 years.

Recommended Budget proposes revising schedule from 5 years to 8 years

- My budget recommends changing to an 8 year phase-in. This was based in part on need to adjust schedule to help close budget gap and also on rating agencies' apparent acceptance of Howard County, also rated triple AAA, recently adopting an 8 year phase-in period.
- We will need to convince the rating agencies of our continued intent to confront this liability.

Approach to Ratings Analysis

- As part of its fiscal management review, the rating agencies will look not only at the County's OPEB liability, but also two other long term liabilities, its pension fund and its debt. The County has increased its GO debt levels to $300 million a year.
- These other liabilities are sizable and include:

• Pensions	$4.4 billion	79% Funded Ratio
• Retiree Health	3.2 billion	0% Funded Ratio
• G.O. Debt	1.6 billion	71% Paid off in 10 years
• Total	$9.2 billion	

I trust this information will be useful to the Council in its deliberations on the FY09 Operating Budget. If you are in need of additional information or clarification on these matters please do not hesitate to contact me or Executive Branch staff.

IL:jfb

62

cc: Timothy L. Firestine, Chief Administrative Officer
Jennifer E. Barrett, Director, Department of Finance
Joseph F. Beach, Director, Office of Management and Budget
Kathleen Boucher, Assistant Chief Administrative Officer

63

EMPLOYEE HEALTH BENEFITS SELF INSURANCE FUND

FY09-14 FISCAL PROJECTION	Estimate - FY08	Projected - FY09	Projected - FY10	Projected - FY11	Projected - FY12	Projected - FY13	Projected - FY14
BEGINNING BALANCE	19,685,690	18,948,280	15,362,920	8,760,210	9,485,120	10,297,330	11,220,820
REVENUES							
Premium Contributions	124,019,690	131,287,790	137,178,440	154,911,610	168,228,780	183,205,790	200,371,780
Premium Contributions: Retiree Insurance NDA	24,810,190	25,725,330	28,287,900	32,299,520	35,280,150	38,673,490	42,520,640
Investment Income	337,290	369,180	402,700	445,440	488,780	532,250	582,010
TOTAL REVENUES	149,167,170	157,382,300	165,869,040	187,656,570	203,997,710	222,411,530	243,474,430
TOTAL FUNDS AVAILABLE	168,852,860	176,330,580	181,231,960	196,416,780	213,482,830	232,708,860	254,695,250
EXPENDITURES							
Claims Costs: Self-Insured	123,564,800	135,097,810	146,195,980	158,746,760	172,932,710	189,043,180	207,634,210
Actives	79,461,740	86,836,720	93,680,950	101,098,820	109,114,930	117,615,550	126,784,960
Retirees	44,103,060	48,261,090	52,515,030	57,647,940	63,817,780	71,427,630	80,849,250
Premium Expenses	16,657,190	17,355,350	18,682,430	20,187,810	21,837,200	23,594,080	25,498,410
Actives	14,945,830	15,592,980	16,818,440	18,213,060	19,735,270	21,354,250	23,115,160
Retirees	1,711,360	1,762,370	1,863,990	1,974,750	2,101,930	2,239,830	2,383,250
Carrier Administration	7,587,420	7,590,530	7,866,260	8,152,800	8,448,230	8,754,200	9,073,940
Active	5,409,200	5,388,260	5,602,850	5,826,140	6,058,200	6,298,780	6,548,590
Retirees	2,178,220	2,202,270	2,263,410	2,326,660	2,390,030	2,455,420	2,525,350
In-house expenses	2,095,170	2,232,500	2,344,130	2,461,340	2,584,410	2,713,630	2,849,310
Other	1,424,050	1,589,050	1,773,680	1,979,570	2,209,140	2,465,100	2,751,470
TOTAL EXPENDITURES	149,904,580	162,276,190	175,088,800	189,548,710	205,802,550	224,105,090	245,055,870
Funds Available Over(Under) Expenditures	18,948,280	14,054,390	6,143,160	6,868,070	7,680,280	8,603,770	9,639,380
OTHER CHANGES							
Prescription drug claims cost offset	-	1,308,530	2,617,050	2,617,050	2,617,050	2,617,050	2,617,050
ENDING BALANCE	18,948,280	15,362,920	8,760,210	9,485,120	10,297,330	11,220,820	12,256,430
TARGET FUND BALANCE (5% OF EXPENDITURES)	7,495,230	8,113,810	8,754,440	9,477,440	10,290,130	11,205,250	12,252,790
ENDING BALANCE AS % OF EXPENDITURES	12.6%	9.5%	5.0%	5.0%	5.0%	5.0%	5.0%

(64)

BUDGET SUMMARY

	Actual FY07	Budget FY08	Estimated FY08	Recommended FY09	% Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	3,844,129	4,489,500	4,178,960	4,625,930	3.0%
Employee Benefits	1,202,947	1,237,010	1,183,470	1,100,970	-11.0%
County General Fund Personnel Costs	***5,047,076***	***5,726,510***	***5,362,430***	***5,726,900***	***0.0%***
Operating Expenses	2,846,489	3,537,400	3,753,500	3,796,070	7.3%
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	***7,893,565***	***9,263,910***	***9,115,930***	***9,522,970***	***2.8%***
PERSONNEL					
Full-Time	68	81	81	80	-1.2%
Part-Time	5	5	5	4	-20.0%
Workyears	48.7	50.6	50.6	46.6	-7.9%
REVENUES					
Federal Financial Participation (FFP)	21,324	0	0	0	—
County General Fund Revenues	***21,324***	***0***	***0***	***0***	—
EMPLOYEE HEALTH BENEFIT SELF INSURANCE FUND					
EXPENDITURES					
Salaries and Wages	913,986	888,560	727,250	1,011,420	13.8%
Employee Benefits	181,368	249,770	198,220	314,850	26.1%
Employee Health Benefit Self Insurance Fund Pers.Costs	***1,095,354***	***1,138,330***	***925,470***	***1,326,270***	***16.5%***
Operating Expenses	132,572,104	149,988,100	148,979,110	160,949,920	7.3%
Capital Outlay	0	0	0	0	—
Employee Health Benefit Self Insurance Fund Exp.	***133,667,458***	***151,126,430***	***149,904,580***	***162,276,190***	***7.4%***
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	9.6	11.0	11.0	12.2	10.9%
REVENUES					
Self Insurance Employee Health Income	140,505,538	140,209,240	148,829,880	157,013,120	12.0%
Investment Income	1,373,529	340,030	337,290	369,180	8.6%
Employee Health Benefit Self Insurance Fund Revenues	***141,879,067***	***140,549,270***	***149,167,170***	***157,382,300***	***12.0%***
DEPARTMENT TOTALS					
Total Expenditures	**141,561,023**	**160,390,340**	**159,020,510**	**171,799,160**	**7.1%**
Total Full-Time Positions	**68**	**81**	**81**	**80**	**-1.2%**
Total Part-Time Positions	**5**	**5**	**5**	**4**	**-20.0%**
Total Workyears	**58.3**	**61.6**	**61.6**	**58.8**	**-4.5%**
Total Revenues	**141,900,391**	**140,549,270**	**149,167,170**	**157,382,300**	**12.0%**

FY09 RECOMMENDED CHANGES

	Expenditures	WYs
COUNTY GENERAL FUND		
FY08 ORIGINAL APPROPRIATION	**9,263,910**	**50.6**
Changes (with service impacts)		
Add: Labor Contracts - Other	109,100	0.0
Enhance: Tuition assistance negotiated with IAFF and MCVFRA [Training and Development]	5,910	0.0
Reduce: Food served at QLF meetings and serve coffee and water [Training and Development]	-4,000	0.0
Reduce: Require all resumes to be submitted online and eliminate processing of paper resumes [Management Services]	-12,000	0.0
Reduce: Size and scope of Montgomery Best Honor Awards program and eliminate countywide length of service ceremony [Training and Development]	-19,000	0.0
Reduce: Abolish part-time psychologist position in Stress Management Section [Occupational Medical Services]	-62,970	-0.5
Reduce: Abolish HR Specialist III position in Labor Relations [Management Services]	-97,000	-1.0
Reduce: Abolish HR Specialist position in Staffing [Management Services]	-97,000	-1.0
Reduce: Abolish Program Manager II (Grade 25) position [Occupational Medical Services]	-97,000	-1.0
Reduce: Abolish Management Services Manager II position [Management Services]	-156,000	-1.0

	Expenditures	WYs
Other Adjustments (with no service impacts)		
Shift: Police Stress Management Funding (eliminate chargeback) [Occupational Medical Services]	465,260	3.5
Increase Cost: General Wage and Service Increment Adjustments	323,450	0.0
Increase Cost: Lifecycle programming support for the Unified Data Modeler (UDM) and Electronic Personnel Action Form (e-PAF), critical systems that support MCtime, e-Perform, and computer based training [Administration]	187,000	0.0
Shift: OCE Community Outreach Position	140,340	1.0
Increase Cost: Contract increase to align budget with expected service utilization [Occupational Medical Services]	136,280	0.0
Increase Cost: Retirement Adjustment	74,480	0.0
Increase Cost: Annualization of FY08 Lapsed Positions	60,220	0.5
Increase Cost: Group Insurance Adjustment	50,730	0.0
Increase Cost: Medical Certificate exams for Non-CDL Holders [Occupational Medical Services]	21,980	0.0
Increase Cost: Replacement of Biopacks for Public Safety [Occupational Medical Services]	16,370	0.0
Increase Cost: Printing and Mail Adjustments	14,380	0.0
Increase Cost: Central Duplicating Deficit Recovery Charge	1,000	0.0
Increase Cost: Workforce Adjustment	0	-2.8
Shift: Transfer one Human Resources Specialist workyear from Police Department [Occupational Medical Services]	0	1.0
Decrease Cost: Reduce Diversity Day expenses [Equal Employment Opportunity and Diversity]	-1,000	0.0
Shift: Personnel costs from the General Fund to the Employee Health Benefits Self Insurance Fund [Administration]	-21,000	-0.5
Shift: Personnel costs from the General Fund to the Employee Health Benefits Self Insurance Fund [Management Services]	-30,000	-0.2
Decrease Cost: Underfill HR Specialist III position (Grade 25) at PAI (Grade 16) [Management Services]	-33,000	0.0
Decrease Cost: Injured Ill Police Employees Network contract in OMS [Occupational Medical Services]	-54,000	0.0
Decrease Cost: Elimination of One-Time Items Approved in FY08	-179,160	0.0
Decrease Cost: Internal Salary Equity Review [Management Services]	-188,360	-2.0
Decrease Cost: Annualization of FY08 Personnel Costs	-295,950	0.0
FY09 RECOMMENDED:	**9,522,970**	**46.6**

EMPLOYEE HEALTH BENEFIT SELF INSURANCE FUND

	Expenditures	WYs
FY08 ORIGINAL APPROPRIATION	**151,126,430**	**11.0**
Other Adjustments (with no service impacts)		
Increase Cost: Increase in estimated claims costs and carrier administration [Benefits and Information Management]	11,012,430	0.0
Increase Cost: General Wage and Service Increment Adjustments	53,460	0.0
Shift: Personnel costs from the General Fund to the Employee Health Benefits Self Insurance Fund [Benefits and Information Management]	51,000	0.7
Increase Cost: Add one FT regular HR Specialist III position to administer changes to group insurance and retirement plans, including the addition of a new retirement plan [Benefits and Information Management]	36,140	0.4
Increase Cost: Annualization of FY08 Lapsed Positions	17,760	0.2
Increase Cost: Retirement Adjustment	13,920	0.0
Increase Cost: Group Insurance Adjustment	12,810	0.0
Increase Cost: Printing and Mail Adjustment	9,390	0.0
Increase Cost: Annualization of FY08 Service Increment	2,850	0.0
Increase Cost: Miscellaneous Workforce Adjustment	0	-0.1
Decrease Cost: Eliminate one-time funding for HCM Interface Reporting [Benefits and Information Management]	-20,000	0.0
Decrease Cost: Savings from not printing and mailing the Total Compensation Statement [Benefits and Information Management]	-40,000	0.0
FY09 RECOMMENDED:	**162,276,190**	**12.2**

66

POST RETIREMENT GROUP INSURANCE

Generic Scenarios to Reduce OPEB Liability

Premise

Reducing the future costs of providing post retirement group insurance will reduce the overall liability to an organization and therefore reduce the amount of that liability to be funded. Many organizational factors will influence which options will be considered and which will not. The template below is only an attempt to identify various factors that influence group insurance costs.

Affected Groups

- Current Retirees
  - Medicare
  - Non-Medicare
- Current Actives
  - Retirement eligible
  - Not retirement eligible
- Future New hires

Factors influencing post retirement group insurance costs and related action considerations for addressing costs

- Eligibility for post retirement group insurance
  Considerations –
  - More rigorous age and service requirements for employees
  - Availability to dependents
    - Health coverage not available to dependents
    - Health coverage not available to dependents if eligible for coverage elsewhere
  - Not eligible for post retirement medical or prescription when Medicare becomes primary
- Employer contribution towards post retirement group insurance
  Considerations –
  - Reducing contribution amounts overall
  - Weighting rates based on years of service
  - Percent of contribution based on lowest cost plans with retiree paying the rate differential for more costly plans

- Contribution towards retiree group insurance only, with retiree paying rate differential for dependents
- Contributions based on flat dollar amounts versus percent of premium (could be incorporated via a Health Savings Account in a Consumer Directed Health Plan)
- Determining the effect of active-retiree subsidy practices on post retirement costs

- Funding
  Considerations –
  - Potential advantages of moving to fully insured Medicare supplement plans
  - Active employees pre-funding a portion of their post retirement benefit cost.

- Benefit delivery mechanisms
  Considerations –
  - Mandatory generic drugs where available
  - Mandatory use of mail order for certain maintenance drugs
  - Use of certain pharmacies for specialty drugs

- Plan design changes
  Considerations –
  - Deductible amounts
  - Co-pay amounts
  - Co-insurance levels
  - Mandatory prescription formularies
  - Annual out-of-pocket and lifetime maximums
  - Post retirement life insurance amounts

- Items covered
  Considerations –
  - Exclude certain items currently covered for medical, dental and prescription

- Plan elimination
  Considerations –
  - Not offering certain benefits post retirement, such as dental
  - Offering discount programs versus full coverage, e.g., for dental

MEMORANDUM

DATE: November 19, 2007

TO: Management and Fiscal Policy Committee

FROM: Thomas Lowman, Bolton Partners, Inc. TL

SUBJECT: Comments on the Multi-Agency OPEB Work Group Report

This memo is an update to our prior memos dated November 20, 2006, March 9, 2007 and June 20, 2007. We have focused on changes and progress made since the MFP Committee meeting in June and comments provided in the November 12, 2007 memo from the Multi-Agency OPEB Work Group.

Below are our comments divided into the five key areas requested by the Council:

1. Status of the Agencies' OPEB trusts
2. Status of the Agencies' communications plans
3. Status of review of options for limiting liability
4. Schedule for future actuarial valuations
5. Lessons to date from the experience of other jurisdictions.

1. Status of Agencies' OPEB trusts

At this point in time, three agencies have established trusts. The County has completed drafting legislation for its trust and the College is planning to set up a trust by January.

One trust related issue that came up in discussion with the agencies was whether the trusts contained reversion language. Apparently all do (or in the case of the College, plan to) except for the School Board. We understand that the School Board may make a change to provide for a reversion, which we would encourage.

The November 12th memo also discussed the issue of the State's "maintenance of effort" (MOE) requirement. We have a general understanding that maintenance of effort relates to requiring a continued level of financial support by the County to MCPS and the College. We understand why additional OPEB funding (which provides no immediate benefit to students) would be an issue. We have seen a letter and emails on this topic that lead us to conclude that it is not clear how OPEB funding (and potential reversions) are factored into MOE requirements. It will take time to sort this out.

2. *Status of Agencies' communications plans*

This continues to move forward and is discussed on page 3 of the November 12th memo. As was pointed out in our prior memo, this will continue to be an area requiring a delicate balance as the agencies continue to provide reader-friendly types of materials to employees while preserving the right to make benefit changes.

3. Status of review of options for limiting liability

This was probably one of the two most interesting parts of the November 12th memo from the Multi-Agency OPEB Work Group. In the clearest way we have seen (starting on the middle of page 4) the memo makes the point about how the County and M-NCPPC are limited from sharing details of discussions due to collective bargaining rules. It is not clear how constrained MCPS is but they seem to try and follow the same collaborative style. The College seems to have fewer such constraints.

The Council might consider the following possibilities:

- Provide guidance on what the County can afford and ask the agencies to design plans around those fiscal constraints.

- Provide a common plan design and suggest that all agencies and unions work toward this design. This "common" design might be different for existing employees vs. new hires. If this approach was taken, the Council might wish to get fiscal impact information from the agencies' actuaries.

4. Projected schedule for future actuarial valuations

We understand that the June 30, 2007 valuations (FY09 expense) will be done soon. This is an ideal timing situation. We understand that one of the smaller agencies may "roll forward" the FY08 expense to FY09. We find this to be acceptable. The County Agencies are generally ahead of other counties in terms of determining FY09 expense. Many counties are still deciding on plan changes, FY08 funding levels and discount rates (used to determine the expense/ARC). Such changes could impact FY08 numbers as well as FY09 expenses.

5. Lessons to date from the experience of other jurisdictions

The November 12, 2007 memo contains a lot of information on this topic. Clearly the County has allocated resources to collect the type of survey information that the Council has requested. Sorting through the meaning is difficult and we would suggest that more weight be given to employer specific data than general survey data. General survey data might be misread since many employers nationally have either no benefits or very small benefits. It is also easy for there to be confusion between what a question meant and what someone was responding to.

Overall; the data tells us the following:

- The County has one of the larger expenses and liabilities.
- The large Montgomery County values are a function of the benefits provided and the ratio of retirees/employees. The County's high ratio of liabilities per capita (based on population) is interesting.
- There is a mixture of public sector employers that have, as a result of GASB45, (1) made changes, (2) are considering changes and (3) are not planning on making changes.

The momentum among Maryland area governments with significant liabilities seems to be toward making benefit changes to reduce liabilities. Baltimore, Carroll and St. Mary's County have decided to charge retirees a greater share of the health care premium. Howard and Anne Arundel are actively studying options to reduce their liability. We expect these two counties will make changes but we do not know how significant they will be.

We think this information is useful when looking at the options to limit liability in Section 3 above. If benefits are to be changed, they should still be competitive. Measurements of competitiveness can be done by comparing the benefit provisions. It may also be possible to measure competitiveness by looking at the ratio of Normal Cost (value of benefits being earned) to number of employees. One problem with defining a competitive benefit is that not every local government has decided on what changes (if any) need to be made. What is competitive today may be generous in two years.

APPROVED

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

MANAGEMENT AND FISCAL POLICY COMMITTEE

Monday, June 25, 2007
9:40 A.M. to 11:10 A.M.
Council Hearing Room

PRESENT

Councilmember Duchy Trachtenberg, Chair

Councilmember Marilyn Praisner Councilmember Roger Berliner

SUBJECT: **Update – GASB Statement on Other Post-Employment Benefits (OPEB)**
Reference: 6/21/07 memorandum from Council Staff Director Farber.

Ms. Trachtenberg noted the importance of reviewing the efforts of other jurisdictions in limiting liability for retiree health costs, including an understanding of the size of their liability compared to the County's.

Ms. Praisner stressed the need to bring clearer focus to this issue and to address the long-term cost implications with employees, retirees, and the community.

Mr. Berliner requested that the review of other jurisdictions' efforts in this area include the phase-in periods they have selected to fund their liability and how they compare with the five-year period endorsed by the Council in April 2007.

Next Step: The Committee's next update is tentatively scheduled for November 26, 2007.

SUBJECT: **Office of Legislative Oversight (OLO) Report 2007-7: Linking Montgomery County Public Schools Workforce Data to Council Decision-Making**
Reference: 6/21/07 memorandum from Ms. Bonner-Tompkins, Senior Legislative Analyst, OLO.

Recommended the following:

The Council in partnership with County Government and the Board of Education should submit joint letters to the Council of Governments requesting the development of projects that report "total compensation" trends for key positions among local school systems and county governments;

Montgomery County Public Schools (MCPS) should reorganize and provide explanatory text for workforce data submitted in future submissions to the Personnel Management Review (PMR). Future PMR submissions should include descriptions of trend data, an executive summary that highlights key conclusions contained in the workforce data, and a glossary of key terms;

MCPS should include information on its workforce performance targets and progress as part of its PMR submission;

MCPS should provide comparative salary data with school districts in the State of Maryland and the Metropolitan Washington region in future PMR submissions;

MCPS should include data on other wages, stipends and other components of total compensation available by position as part of its PMR submission;

MCPS should include detailed workforce data on school-based counselors in future PMR submissions; and

Other County-funded agencies should submit executive summary information in their PMR submissions that includes a description of key findings and actions that the agency is taking as a result of its findings.

Noted the intent to reconsider recommendations for the other County-funded agencies relative to their PMR submissions after the Committee has had the opportunity to review the requested changes to MCPS' PMR submission.

Next Step: Council consideration is tentatively scheduled for July 19, 2007

SUBJECT: **Agency Personnel Management Review Documents**
Reference: 6/21/07 memorandum from Mr. Farber.

Discussed the different formats of agency personnel review documents. Ms. Trachtenberg noted that in view of the different origins and objectives of the agency documents, a common template would be problematic, especially in the short term. Ms. Praisner suggested that the focus for FY09 should be on changes proposed by OLO in the MCPS Staff Statistical Profile. She also suggested that all the agency documents include at the outset a list of key points that emerge from the data – for example, the need for succession planning based on statistics for agency retirements.

Discussed comments made by Council Committees and individual Councilmembers regarding the presentation of personnel cost and workforce information in agency budget documents. Requested OLO staff to draft a memorandum from the Council President to the Office of Management and Budget Director summarizing Council requests regarding the content and structure of the County Government Operating Budget document.

MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

OFFICE OF THE COUNCIL PRESIDENT

MEMORANDUM

July 10, 2007

TO: Joseph Beach, Director
Office of Management and Budget

FROM: Marilyn J. Praisner, Council President MJP

SUBJECT: Content and Format of Workforce Information in Operating Budget Submissions

During the recently completed review of the FY08 operating budget, Council Committees considered how agency budget submissions met the information needs of the Council. More specifically, Councilmembers took note of the content and format of information we received related to personnel costs and the size of agency workforces. This memo transmits the Council's suggestions on how future year Executive budget submissions could better meet the Council's needs.

Executive's Recommended Operating Budget Submission

The Council requests that the Office of Management and Budget modify future year budget submissions to:

1. Show the annualized full year costs of recommended new positions budgeted for a partial year.
2. Show how many positions were budgeted in a department at the beginning of the current fiscal year, how many positions were added since the beginning of the fiscal year, and how many are recommended for the following fiscal year.
3. Identify recommended workyear changes at the program or activity level including the number of recommended new, shifted, and annualized workyears for each program or activity.
4. Include a simple table or chart that summarizes the current and recommended number of positions for each division or program and that clearly identifies recommended staffing level changes. This table or chart should include all positions associated with the division or program including those charged to other departments or to the CIP.
5. Identify the costs for recommended position upgrades.
6. Show budget and workforce information that more closely reflect current organization and program structures.

Executive's Recommended Personnel Complement

The Council requests that OMB transmit hard copies of the Executive's recommended personnel complement for the General Government at the beginning of budget season.

Position Updates

OMB currently submits to the Council monthly position reports that list County Government positions that were created or abolished since the previous monthly report. I invite OMB to work with the Management and Fiscal Policy Committee to modify the structure of these reports to improve their usefulness to the Council.

Thank you for your attention to these requests. I suggest that the MFP Committee follow up on this matter as part of its on-going review of the content and structure of agency budget submissions.

c: Councilmembers
Stephen B. Farber
Linda Lauer
Chuck Sherer

County Awards Summary (FY2007)

Reported on 04/09/2008

Department	Annual Leave (hrs)	Awarded Amount ($)							AL(hrs)
		Emp. of Year	Recognition		ASE		Recruitment	Total	Recruitment
			Cash	Non-Cash	Exam	Master			
01 - CCL	615.50	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
03 - OLO	88.00	$ 0	$ 100	$ 0	$ 0	$ 0	$ 0	$ 100	0.00
05 - ZAH	80.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
15 - CEX	104.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
17 - CFW	108.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
18 - RSC	80.00	$ 250	$ 0	$ 0	$ 0	$ 0	$ 0	$ 250	0.00
21 - BLC	0.00	$ 0	$ 200	$ 0	$ 0	$ 0	$ 0	$ 200	0.00
23 - PIO	296.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
24 - SOE	680.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
31 - OMB	0.00	$ 2,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,000	0.00
32 - FIN	0.00	$ 4,425	$ 0	$ 0	$ 0	$ 0	$ 0	$ 4,425	0.00
33 - OHR	112.00	$ 850	$ 200	$ 0	$ 0	$ 0	$ 0	$ 1,050	0.00
34 - DTS	100.00	$ 5,800	$ 0	$ 0	$ 0	$ 0	$ 0	$ 5,800	0.00
35 - PRO	0.00	$ 250	$ 2,500	$ 0	$ 0	$ 0	$ 0	$ 2,750	0.00
42 - COR	64.00	$ 7,750	$ 0	$ 0	$ 0	$ 0	$ 16,000	$ 23,750	0.00
45 - FRS	3,732.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
46 - HR	504.00	$ 500	$ 0	$ 0	$ 0	$ 0	$ 0	$ 500	0.00
47 - POL	6,906.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,500	$ 1,500	720.00
48 - SHF	1,804.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
50 - PWT	10,409.00	$ 6,750	$ 3,350	$ 900	$ 67,800	$ 61,000	$ 2,750	$ 142,550	0.00
64 - HHS	960.00	$ 750	$ 0	$ 1,770	$ 0	$ 0	$ 0	$ 2,520	0.00
70 - CUS	49.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
71 - LIB	1,650.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
72 - REC	192.00	$ 0	$ 100	$ 0	$ 0	$ 0	$ 0	$ 100	0.00
75 - DPS	272.00	$ 250	$ 0	$ 0	$ 0	$ 0	$ 0	$ 250	0.00
76 - HCA	348.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
78 - DED	160.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
80 - ENV	211.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
85 - LIQ	0.00	$ 1,100	$ 2,700	$ 0	$ 0	$ 0	$ 0	$ 3,800	0.00
99 - BIT	24.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
Total	29,548.50	$ 30,675	$ 9,150	$ 2,670	$ 67,800	$ 61,000	$ 20,250	$ 191,545	720.00

MEMORANDUM

April 11, 2008

TO: Management and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director SBF

SUBJECT: Update of Pay Changes since FY99: Montgomery County and Bi-County Agencies, Other Regional Local Governments and School Systems, the State, and the Federal Government

The attached tables, prepared by Legislative Analyst Amanda Mihill, update the annual pay changes since FY99 for the County and Bi-County agencies, other regional local governments and school systems, the State, and the Federal Government. OLO developed the format in 1994. Data are updated here for FY09 recommended.

The tables place pay changes in four categories:

- Increments (or step increases) provided to employees not at top of grade;
- General wage adjustments (COLAs);
- Lump-sum payments; and
- Adjustments made to the top of salary ranges.

An index to the tables is on the next page. When reviewing the tables, please keep in mind the following points about the format and content of the data provided:

1. For FY99-08, the tables report the pay changes that were actually implemented.

2. A hyphen (-) indicates that there was no change to that component of pay in that year. A blank space indicates that the information was not available.

3. For the Montgomery County and Bi-County agencies, the tables include increment amounts by bargaining unit. For units that have a variable as opposed to a fixed increment amount, the table reports the weighted average received by employees that year unless otherwise indicated.

4. For the non-Montgomery County jurisdictions, we have again attempted to provide more specific information on increments or steps, despite the diverse approaches to providing them. Where such information was not available, "Yes" indicates that increments were provided; a hyphen indicates that increments were not provided.

5. For the non-Montgomery County jurisdictions, a notation under the title indicates whether compensation is subject to collective bargaining.

Thanks are due once again this year to the budget and human resources staff of the five County and Bi-County agencies and our neighboring jurisdictions for their contributions to this compilation of data.

G:\Pay Changes\Compensation FY09\Memo FY09.Doc

Table Index **Page**

78

MONTGOMERY COUNTY GOVERNMENT

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Police (FOP)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.0%	2.5%	2.7%	(c)	(e)	2.0%	2.0%(h)	2.75%	(n)	-	4.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	(a)	-	-	-	-	(i)	-	-	-	-
Other	-	-	-	-	-	-	-	(l)	-	(p)	-
Fire (IAFF)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.9%	3.0%	2.9%	(d)	5.0%	3.5%	3.5%	(m)	(o)	5.0%	2%+2%(t)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	(a)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	(f)	(f)	-	-	-	-
Office, Professional, and Technical Bargaining Unit/Service, Labor, and Trade Bargaining Unit (MCGEO)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.0%	2.6%	(b)	3.25%	3.5%	3.75%(g)	2.0%(h)	2.75%	(n)	4.0%	4.5%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	(j)	-	-	(q)	-
Non-Represented											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.0%	2.6%	(b)	3.25%	3.5%	2.0%	2.0%(h)	2.75%	(n)	4.0%	4.5%
Lump-sum payment	-	-	-	-	-	-	-	(r)	(r)	(r)	-
Top of range adjustment	-	-	-	-	-	-	(k)	(s)	(s)	(s)	-

(a) Longevity step (*completion of 20 years*).
(b) 2.0% effective 7/2/00; 1.0% effective 1/14/01.
(c) Effective 7/1/01, a flat dollar amount of $2800 per employee and effective 1/13/02 an additional flat dollar amount of $600 per employee.
(d) 2.0% effective 7/1/01; 1.0% effective 1/13/02.
(e) 3.0% effective 7/02; 1.0% effective 1/03.
(f) Pay plan adjustment equal to 3.5%.
(g) Effective 11/30/03.
(h) Effective 9/5/04.
(i) *Return to uniform* pay plan starting 1/9/05 for unit members with 20 years of completed service.
(j) Starting 1/9/05 employees who have completed 20 years of service and are at the maximum of their pay grade will receive a longevity increment of 2%.
(k) Range expansion of 1.75%, 3.75% for employees in the Management Leadership Service.
(l) Effective 1/8/06 current min/max salary schedule will be converted to a matrix based step schedule.
(m) 3% effective 7/10/05; 1% effective 1/8/06.

79

(n) 3.0% effective 7/9/06; 1.0% effective 1/7/07.
(o) 4.0% effective 7/9/06; 1.0% effective 1/7/07.
(p) Increase wage rate of Step 0, Year 1, by $3,151with promotions and increments calculated from that point. Equals an adjustment of 7.5%.
(q) Increase longevity percentage by 1.0%, effective 1/6/08.
(r) Performance lump sum award: 2% for exceptional and 1% for highly successful.
(s) Longevity/performance increment 2 years of consecutive exceptional or highly successful: 1% added to base pay and effective 1/7/07, 2% added to base pay.
(t) 2.0% effective 7/6/08; 2.0% effective 1/4/09.

Note: The percentage of employees eligible to receive a service increment varies by bargaining unit. Overall, about two-thirds of County Government employees are eligible to receive an increment in FY09.

MONTGOMERY COUNTY PUBLIC SCHOOLS

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Teachers (MCEA)											
Increment	0.9-5.6%	0.9-5.6%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%
Increment-weighted average (a)	1.5%	1.5%	1.6%	1.7%	1.9%	1.9%	1.9%	2.0%	1.9%	2.2%	2.3%
Negotiated salary schedule increase	2.0%(e)	2.0%(f)	5%(h)(j)	4.0%(h)	4.0%(h)	4.0%(h)	2.0%	2.75%	4.0%(p)	4.8%(q)	5.0%(r)
Lump-sum payment (b)	$300	$300	-	$400	$400	$400	$400	$400	$400	$400	$400
Top of range adjustment	-	-	(i)	-	-	-	-	-	-	-	-
Admin. and Supervisory Personnel (MCAASP)											
Increment	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Increment-weighted average (a)	1.3%	1.3%	1.0%	1.0%	0.9%	0.8%	0.9%	1.1%	0.9%	1.1%	1.2%
Negotiated salary schedule increase	2.7%(e)	2.7%(g)	5.125%(j)	3.0%	3.0%	3.0%(k)	2.0%(n)	2.0%(o)	4.0%(p)	4.8%(q)	5.0%(r)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	$1,500(m)	$1,500(m)	$3,000(m)	$3,000(m)	$3,000(m)
Supporting Services Employees (SEIU Local 500)											
Increment	1.9-5.5%	1.9-5.5%	1.9-5.5%	1.7-5.5%	1.7-5.6%	1.6-5.6%	1.6-5.6%	1.6-5.6%	1.9-5.6%	1.9-5.6%	1.9-5.5%
Increment-weighted average (a)	1.6%	1.6%	1.6%	1.7%	1.8%	1.9%	1.8%	1.9%	1.6%	1.9%	2.2%
Negotiated salary schedule increase	2.5%(e)	2.5%	5.0%(j)	3.0%	3.0%	3.0%(l)	2.0%	2.75%	4.0%(p)	4.8%(q)	5.0%(r)
Lump-sum payment (c)	$100	$100	$100	$100	$100	$100	$100	$200	$200	$200	$200
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Non-Represented	All non-represented employees (except 23 nonscheduled employees including Executive staff, Board staff, and the chief negotiator) Received the same increments and other salary adjustments as the bargaining units for which these positions are covered.										
Increment											
Negotiated salary schedule increase											
Lump-sum payment											
Top of range adjustment											

NOTE: During FY 2008, the BOE approved the formation of a fourth bargaining unit. The Montgomery County Business and Operations Administrators (MCBOA) unit is composed of noncertificated supervisory employees who were previously excluded from any bargaining unit. The compensation information for the employees in this unit is included in the supporting services (SEIU Local 500) unit.

(a) The number provided in the chart represents the weighted average increase received by eligible employees. It is based on the number of employees who receive the step increment at various points (anniversary dates) in the year. An average annual cost of the salary increments is used for this analysis.

(b) For FY 1996 through FY 1999, a bonus payment of $300 was provided to any substitute teacher who worked 100 or more days. Beginning FY 2002, an incentive payment of $400 is provided to any substitute teacher who works 45 or more days within a semester. In conjunction with this change, the retiree substitute incentive plan was eliminated in FY 2002.

(c) MCPS agreement with SEIU Local 500 provided for a lump sum net payment of $100 each year for employees with 22 or more years of service. This amount increases to a $200 gross payment for FY 2006.

(d) The negotiated agreement with MCAASP provided for the addition of one step on salary scales N through Q beginning July 1, 1997 (FY 1998) and July 1, 1999 (FY 2000). The amount of this impact is included in the increment-weighted average for each year.

(e) For FY 1999, the salary increases were funded in part through a change in the employee benefits program and structure for a net budgetary increase equivalent to 1.9% in salary.

(f) In FY 2000, the negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 3%. Beginning FY 2000, the agreement also provides a $2,000 salary supplement to teachers who achieve and maintain a national certification standard.

(g) In FY 2000, the negotiated agreement with MCAASP provided for a salary increase of 2% effective November 27, 1999, resulting in a 1% salary impact.

(h) The negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 5.0% for FY 2001 and 4.0% for FY 2002 while an additional 1.0% from the State was applied to this salary schedule each year for a net increase of 6.0% for FY 2001 and 5.0% for FY 2002. For FY 2003 and FY 2004, the negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 4.0% and added two more days to the work year for 10-month employees for an equivalent of an additional 1.0% applied to the salary schedule for a net increase of 5.0% for each year. The FY 2004 negotiated agreement with MCEA provided for a salary schedule increase of 4.0% implemented on 10/31/03 for 12-month unit members and 12/1/03, for 10-month unit members, resulting in a 3.66% salary impact.

(i) In FY 2001, a 2.25% longevity payment was negotiated for teachers who have been at the top of the scale for 6 years.

(j) In FY 2001, the salary increase was funded in part through a change in the employee benefits program and structure for a net budgetary increase of 5% for salary.

(k) For FY 2004, the negotiated agreement with MCAASP provided for a salary schedule increase of 3.0% implemented on 10/7/03, for 12-month unit members and 11/8/03, for 11-month student support specialists, resulting in a 1.87% salary impact.

(l) For FY 2004, the negotiated agreement with SEIU Local 500 provided for a salary schedule increase of 3.0% implemented on 10/7/03 for 12-month unit members and 11/8/03, for all other unit members, resulting in a 2.05% salary impact.

(m) Effective October 1, 2004, the negotiated agreement with MCAASP provided an annual longevity supplement of $1,500 for each unit member who completed ten or more years as an administrator and/or supervisor with MCPS. Effective December 1, 2006, the negotiated agreement with MCAASP provided an annual longevity supplement of $1,500 for each unit member who completed five or more years as an administrator and/or supervisor with MCPS. Subsequent to that date, the negotiated agreement with MCAASP provided an annual longevity supplement of $3,000 for each unit member who completed ten or more years as an administrator and/or supervisor with MCPS.

(n) For FY 2005, the negotiated agreement with MCAASP provided for a salary schedule increase of 2.0% implemented on 10/2/04, for 12-month unit members and 11/13/04, for 11-month student support specialists, resulting in a 1.49% salary impact.

(o) For FY 2006, the negotiated agreement with MCAASP provided for a 2% salary schedule increase and salary scale adjustments equivalent to an average of an additional 0.75%.

(p) For FY 2007, the negotiated agreement with MCEA and SEIU Local 500 provided for a salary schedule increase of 3.0% on 7/1/06 and an additional 1.0% effective mid-year, resulting in a 3.5% salary impact. The negotiated agreement with MCAASP provided for a salary schedule increase of 4.0% and scale adjustments effective November 1, 2006, resulting in a 3.5% average salary impact.

(q) For FY 2008, the negotiated agreement with MCAASP, MCEA, and SEIU Local 500 provided for a 4.8% salary schedule increase and other compensation changes equivalent to an average of an additional 0.2% for a total of 5.0%.

(r) For FY 2009, the negotiated agreement with MCAASP, MCEA, and SEIU Local 500 provides for a 5.0% salary schedule increase.

F2

MONTGOMERY COLLEGE

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Faculty (AAUP)											
Increment	$1,550	$1,580	$2,000	-	-	$1,167	-	-	-	-	-
General adjustment (COLA)	2.25%	2.6%	(e)	6.0%(f)	6.5%(h)	3.625%(j)	1.6%	2.75%	3.75%	5.3%	5.5%
Lump-sum payment	-	-	-	-	-	-	$1,879	$1,931	$2,019	$2,125	$2,242
Top of range adjustment	2.25%(a)	2.6% (b)	(e)	-	-	(k)	1.6%(m)	2.75%(n)	3.75%(o)	5.3%	5.5%
Administrators											
Increment	4.25%	4.5%	4.75%	6.0%	4.0-6.25%	2.5%-4.25%	3.65%-4.15%	4.75%-5.50%	3.75% 6.50%	4.75% 7.50%	
General adjustment (COLA)		-	-	-	-	-	-	-	-	-	TBD
Lump-sum payment		-	-	-	-	(l)	-	-	-	-	
Top of range adjustment	2.25%	2.6%	2.75%	4.0%	4.0%	3.60%	2%	2.75%	3.75%	4.75%	
Staff - Non-Bargaining and Bargaining											
Increment	2.75%	(c)	(f)	2.25%	(i)	2.0%	3.25%	2.75%	2.75%	3.00%	3.00%
General adjustment (COLA)	2.25%	2.6%	2.75%	4.0%	4.0%	3.6%(j)	2.0%	2.75%	3.75%	4.75%	5.00%
Lump-sum payment	-	(d)	-	-	(i)	-	-	-	-	-	-
Top of range adjustment	2.25%	2.6%	2.75%	-	-	3.6%	2.0%	2.75%	3.75%	4.75%	5.00%

(a) Not to exceed $64,495.
(b) Not to exceed $67,198.
(c) Non-bargaining staff received an increment of 2.5%.
(d) Bargaining staff received an increment of $675 (equal to 2.5%).
(e) 2% effective at start of academic year, to maximum salary of $68,542. 1% effective January 2001, to maximum salary of $69,227.
(f) Non-Bargaining employees received 2.0% increment and $30 for each year of service. Bargaining employees received 2.5% increment.
(f) Faculty earning the maximum salary received a 5% increase to $72,689. Faculty below the maximum received an increase of 3.6% plus $1,870 up to a *new maximum of* $72,689.
(h) Faculty earning the maximum salary received a 5% increase to $76,323. Faculty below the maximum received an increase of 3.71% plus $1,964 up to a new maximum of $76,323.
(i) Non-bargaining support staff received $1,190; AFSCME staff received an increment of 2.25% instead.
(j) Delayed by 4.6 months of fiscal year.
(k) Not to exceed $79,090.
(l) Up to $2,000 based on performance for those at top of range.
(m) Not to exceed $80,355 or $81,955 *for those eligible for a one-time* longevity increase.
(n) Not to exceed $82,565 or $84,165 for those eligible for a one-time longevity increase.
(o) Not to exceed $85,661 or $87,261 for those eligible for a one-time longevity increase. COLA – 3% effective 7/1/06 plus 1.5% effective 1/1/07.

83

MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Non-Represented											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.75%	2.5%	(f)	(h)	(i)	2.5% (k)	2.7%	2.8%	3.0%	3.25%	(q)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	(a)	-	-	-	-	-	-	-	(n)	-	-
Service/Labor, Trades, and Office/Clerical Bargaining Units (MCGEO, Local 1994)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	(b)	(d)	(f)	(h)	(i)	2.5% (k)	2.7%	2.8%	3.0%	3.25%	3.25
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	(n)	(n)	-
Park Police (FOP, Lodge 30)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	(c)	(e)	(g)	(g)	(j)	(j)	(l)	(m)	(o)	(p)	(r)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	(l)	-	-	-	-

(a) A new pay and classification plan was approved by the Commission in November 1997 which expanded pay scales by a minimum of 0.7%.
(b) Service/Labor employees received a 2.5% COLA effective 7/1/98. Trades and Office/Clerical employees received a 2.75% COLA effective 3/98.
(c) 2.25% COLA effective 2/1/99.
(d) Office/Clerical and Trades employees received 2.8% on 7/1/99; Service/Labor employees received 2% on 7/1/99 and 1% on 1/1/00.
(e) 2% COLA effective 2/1/00.
(f) 2.5% COLA effective 7/9/00; .5% COLA effective 1/7/01.
(g) 2.25% COLA effective from 2/1/01 to 1/31/02; 3% from 2/1/02; 1% from 11/1/02.
(h) 2.6% COLA effective 7/8/01; 0.5% COLA effective 1/6/02.
(i) 2.5% COLA effective 7/02; .75% COLA effective 10/02.
(j) 2.5% COLA effective 02/03; 2.75% effective 02/04.
(k) COLA was effective 9/14/2003.
(l) 2.5% COLA for officers below the rank of Sergeant effective 5/2005. Sergeants were granted a 5.0% COLA effective 5/2005. One 2.5% step added for Sergeants (P05) only.
(m) 2.5%COLA effective 7/05. Additionally, in exchange for officers covered by Long Term Disability or the Comprehensive Disability Benefit Program increasing their premium from 15% to 100% or 20% to 80%, respectively, a 1% COLA is provided effective 4/06.
(n) The primary pay scale for non-represented employees was elongated by the equivalent of two 3.5% step increases. The IT scale was elongated by 3.5%, pending a salary survey to determine whether the special pay scale should continue. The pay scales for MCGEO employees were elongated by 3.5% in both FY07 and FY08.
(o) 3.5% effective 7/06, plus an additional 1% increase in 7/06, predicated again on increasing the officers' percentage share of disability premiums.
(p) 3.5% effective 7/07, plus an additional 1% increase in 7/07, predicated as above.
(q) Commission will determine the COLA in June. The equivalent of a 3.25% COLA is budgeted.
(r) Tentative agreement has been reached on a three-year contract (FY09-11) with the FOP. The contract is still subject to ratification by the rank and file and formal Commission approval.

85

WASHINGTON SUBURBAN SANITARY COMMISSION

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY08	REC FY09
AFSCME											
Merit pay adjustment (a)	3.5%	3.5%(d)	3.5%(d)	3.5%(d)(e)	0%(f)	3.5%(e)(i)	3.5%(e)(i)	3.5%(e)(i)	3.5%(e)(i)	3.5%(e)(i)	(j)
General adjustment (COLA)	(b)	(c)	2.5%	3.0%+1%(f)	0%(f)	3.0%(h)	2.0%	2.0%	3.5%	3.75%	(j)
Lump-sum payment	-	-	-	-	$2,256(g)	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Non-Represented											
Merit pay adjustment (a)	3.5%	3.5%(d)	3.5%(d)	3.5%(d)(e)	0%(f)	3.5%(e)(i)	3.5%(e)(i)	3.5%(e)(i)	3.5%(e)(i)	3.5%(e)	3.0%(e)(k)
General adjustment (COLA)	(b)	(c)	2.5%	3.0%+1%(f)	0%(f)	3.0%(h)	2.0%	2.0%	3.5%	3.75%	3.5%
Lump-sum payment	-	-	-	-	$2,256(g)	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

(a) WSSC has a performance based merit pay system. Adjustments to base pay are based upon annual employee evaluations. In FY92-FY93, because payments for "superior" and "fully satisfactory" were the same percentage of base salary, those who received a "superior" rating received one additional vacation day. For FY92-FY04, the percentages shown in the chart above represent the weighted averages of salary increases received by employees. In FY09, the percentage shown above represents the weighted average of salary increases received by employees under the new Performance Management System.

The merit pay salary adjustments associated with each performance rating category FY92-FY08 are:

	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Superior	4.0%	3.5%	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	0.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Commendable	-	-	-	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	0.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Fully satisfactory	4.0%	3.5%	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Needs improvement	2.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unsatisfactory	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

(b) Cost of living adjustment included a $900 salary increase for all employees effective the first pay period ending after July 1, 1998, and a $375 salary increase for all employees effective the first pay period after January 1, 1999.
(c) Cost of living adjustment included a $638 salary increase for all employees effective the first pay period ending after July 1, 1999, and a $637 salary increase for all employees effective the first pay period ending after January 1, 2000.
(d) Employees within 1% of the maximum of their grade who received either commendable or superior evaluations would receive up to a $500 or $1000 cash payment instead of one or two annual leave days as was the case in FY 99.
(e) Merit pay adjustment was replaced with skill-based compensation for some bargaining unit employees in FY02.
(f) The FY03 Budget included $2.1 million for salary enhancements. COLAs and merit increases for WSSC employees were limited by State Law to no more than what State employees receive. Since State employees received no COLAs or merit increases in FY'03, WSSC employees also received no increases. In response to this limitation, WSSC implemented a 1% COLA at the end of June 2002 (FY'02), a $750 lump-sum payment in FY'03, and a $500 deferred compensation match.
(g) In addition to the $750 lump-sum payment (see note (f) above), employees received a $1,506 gain-share payment in FY'03 for reducing spending below pre-determined Spending and Workyear Targets, which produced a permanent savings in FY'04. This payment was made in FY'04.
(h) General adjustment (COLA) was effective October 2003 when COLAs and merit increases were no longer limited by State Law.
(i) Employees at grade maximum who receive either a commendable or superior evaluations would receive a $750 or $1,500 cash payment.

83

(j) Contract to be negotiated.

(k) In FY09, a new Performance Management System applies to all employees except those reporting directly to the Commissioners or in a bargaining unit. A rating of 3.0 and above will result in a percentage pay increase, or, for employees at the top of the grade, a one-time performance bonus payment. A rating below 3.0 will result in a Performance Improvement Plan (PIP). Employees rated below a 2.0 numerical rating or employees who do not successfully complete their PIP are subject to release.

ALEXANDRIA CITY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Police											
Increment	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	(a)	2.0%	2.5%	3.0%	2.5%	2.0%	2.0%	2.0%	3.0%	1.5%	0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	Yes	-	-	Yes	-	-	-
Fire											
Increment	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	(a)	2.0%	2.5%	3.0%	2.5%	2.0%	2.0%	2.0%	3.0%	1.5%	0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	Yes	-	-	Yes	-	-	-
All Employees											
Increment	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	(a)	2.0%	2.5%	3.0%	2.5%	2.0%	2.0%	2.0%	3.0%(b)	1.5%	0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	Yes	-	-	Yes	-	-	-

(a) The budget included funding to implement a new City pay plan, which was a shift from a minimum-maximum plan to a step plan. No other compensation adjustments were approved for City employees.
(b) In FY07 City employees on the **General pay scale** received a 2.0% market rate adjustment effective July 1, 2006.

82

ANNE ARUNDEL COUNTY GOVERNMENT
(Compensation subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Police											
Increment (a)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	(b)	3.0%	-	5.0%	5.0%	0%	2%(v)	2%	3%	3%	3%
Lump-sum payment	-	No	Yes	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	Yes(h)	Yes	-	-	Yes(11.1%)	Yes	Yes	8%	8%
Fire											
Increment (a)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	-	3.0%	5.0%	5.0%	4.0%	0%	2%(v)	2%	2%	3%	3%
Lump-sum payment	-	No	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	Yes(k)	-	-	Yes	Yes	Yes	8.15%	8.15%
Other											
Increment (a)	Yes	Yes	Yes	Yes	Yes	(t)	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	-	3.0%	(i)	(l)	(p)	(u)	2%	3%(w)	2%	2%,1%(x)	2%,1%(x)
Lump-sum payment	-	No	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	Yes(f)	Yes(j)	Yes(m)	Yes(q)	-	Yes	Yes	Yes	Yes(y)	Yes(y)
Non-Represented											
Increment (a)	(c)	(g)	(g)	(g)	(g)	No	0 to 4.5%	0 to 4.5%	Yes	Yes	TBD
General adjustment (COLA)	(c)	3.0%	2.0%	3.0%(n)	2.0%(r)	0%	2%	3%	3%	2%,1%(x)	
Lump-sum payment	(d)	(d)	-	-	-	-	Yes	Yes	-	-	
Top of range adjustment	(e)	(e)	-	Yes(o)	Yes(s)	-	5%	4%	Yes	Yes	

Top of range adjustments are equivalent to COLA identified unless otherwise footnoted.

(a) Merit increases are performance based and determined through the use of employee evaluations.

(b) Effective 10/30/97, minimum and maximum of pay ranges for all non-represented scales are increased by 3.0% with no change to individual employees' base pay. Non-represented public safety officers compensated as additions to base pay for allowance roll-ins as follows: Police Lts. through Deputy Chiefs $465 for cleaning and clothing; Fire Lts, Cpts., and Battalion Chiefs $1,280 foF meals and cleaning; Fire Division and Deputy chiefs $500 for cleaning; Detention Officers II's and III's $380 for clothing; Deputy Sheriffs II's, III's and IV's $260 for cleaning. Specific allowances ceased as a result of roll-ins.

(c) Movement through range based on pay for performance, COLAs no longer provided. Maximum base pay adjustment limited to 10.0%.

(d) Individuals who meet or exceed the maximum of pay grade can receive up to 10.0% of current base pay in a lump sum award for highest-level performance evaluation.

(e) Non-represented employees' pay scale changed to remove step system and longevity awards and create open pay range. Minimum pay is step 1 of old grade, and maximum pay of new range is equal to maximum longevity pay.

(f) Individuals with 25 years for Clerical union receive additional 2.5% increase on maximum pay; 24 years for Labor and Trades receive 5% increase on maximum pay.

(g) Movement through range based on pay for performance. Maximum base pay adjustment limited to 10%.

(h) Two new steps added with 2.5% increases for each.

(i) Clerical union received 1 % across the board the board in July 2000 and another 1% in January of 2001. Labor and trades union received 3% across the board increase.

(j) Clerical union added two steps to pay scale at 5% each. Employees allowed 2 additional step advancements beyond regular merits if required in 1996 to change from 35 hours to 30 hours per week without additional compensation (120 employees affected).

(k) Fire union added additional step to each grade.

(l) Clerical union received 2% across the board. Labor and trades union received 3% across the board increase.
(m) Labor and trades union added .5% to max step effective 4/4/02.
(n) Non-represented granted 3% across *the board increase effective* 7/5/01 and another 3% effective 4/4/02.
(o) Non-represented range adjusted by 7.5% on the min and 10% on the max effective 7/5/01 and adjusted again by 5% on the min and 7.5% on the max effective 4/4/02.
(p) Clerical union will receive 2% across the board increase. Labor and trades union will receive 3% across the board increase.
(q) Labor and trades union will add 1% to max step effective 4/3/03.
(r) COLA added 1/4/03.
(s) Scale adjusted by COLA amount.
(t) Clerical union currently in negotiations but if no agreement is reached will be denied merits. Labor and trades union has one year remaining on contract and will get merit increases.
(u) Clerical union currently in negotiations but if no agreement is reached will be denied COLA. Labor and trades union has one year remaining on contract and will receive 3% COLA.
(v) COLA provided on 1/13/05.
(w) Effective 7/14/05 a 2% COLA and effective 4/6/06 a 1% COLA was provided.
(x) Across the board increases provided as follows: 2% first pay period in July, and additional 1% first pay period in January.
(y) Maximum pay rate increases as follows: 2% first pay period in July, 1% first pay period in January, and additional 1% first pay period in April.

ARLINGTON COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY99	FY 00	FY01	FY 02	FY 03	FY 04	FY 05	FY 06	FY07	FY08	REC FY09
Police											
Increment	3.0%(a)	3.0%(a)	3.0%(a)	3.0%(c)	3.0%(c)	3.0%(c)	3.0%	3.0%	3.0%	3.0%	3.0%
General adjustment (COLA)	1.5%	1.5%	3.0%	4.0%(b)	2.75%	1.00 %	2.0%	2.0%	2.0%	1.5%	0.0%
Lump-sum payment	-	-	-	-	-	1.00%(d)	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	(e)	(f)	-	(h)	-
Fire											
Increment	3.0%(a)	3.0%(a)	3.0%(a)	3.0%(c)	3.0%(c)	3.0%(c)	3.0%	3.0%	3.0%	TBD	3.0%
General adjustment (COLA)	1.5%	1.5%	3.0%	4.0%(b)	2.75%	1.00%	2.0%	2.0%	2.0%	(g)	0.0%
Lump-sum payment	-	-	-	-	-	1.00%(d)	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	(e)	(f)	-	(h)	-
Other Employees											
Increment	3.0%(a)	3.0%(a)	3.0%(a)	3.0%(c)	3.0%(c)	3.0%(c)	3.0%	3.0%	3.0%	TBD	3.0%
General adjustment (COLA)	1.5%	1.5%	3.0%	4.0%(b)	2.75%	1.00%	2.0%	2.0%	2.0%	(g)	0.0%
Lump-sum payment	-	-	-	-	-	1.00%(d)	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	(e)	(f)	-	(h)	-

(a) The average increment is 3.0%. Steps 1-5 receive a 4.1% increment, steps 6-10 receive a 3.3% increment, and steps 10-14 receive a 2.3% increment. Employees at steps 1-8 receive a yearly increment, then 2 year increment adjustments for steps 9-14. (This was changed in FY2002).
(b) County Manager proposed and the County Board approved a 3.0% COLA plus a 1.0% market adjustment to the pay plan for a total 4% increase across the board. The County Board also approved adding 3 steps (2.3% each) to the top of the pay plan to increase range from 51% to 62% and changed the two year steps to one year steps.
(c) The average increment is 3.0%. Steps 1-5 receive a 4.1% increment, steps 6-10 receive a 3.3% increment, and steps 10-17 receive a 2.3% increment. All steps are now annual steps.
(d) Employees would receive a one-time lump sum payment at the end of the year equal to 1% of their earned base income for calendar year 2003.
(e) Expanded the pay plan by one additional step (step 18)
(f) The County Manager has announced this will be a transition year with a view to going to a pay-for-performance system next year. This year the general adjustment (market payline adjustment) will only be given to those employees performing satisfactorily. In addition, top performers can be rewarded with an additional 1% increase.
(g) Budget projection includes 0.0% - no specific recommendation yet.
(h) Not pursuing footnote (f) any longer.

98

BALTIMORE COUNTY GOVERNMENT
(Compensation subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Police (FOP)											
Increment	Yes(a)(b)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
General adjustment (COLA)	3.0%	(e)	(f)	10.25%	-	-	5.0%(h)	(j)	(l)		
Lump-sum payment	-	$3,500	-	-	-	-	-	-	-		
Top of range adjustment	-	17.5%	8.5%	-	-	-	-	-	-		
Fire											
Increment	Yes(a)(c)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
General adjustment (COLA)	3.0%	6%	4.5%	4.5%	4.5%	(g)	4.5%(i)	(k)	(m)		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	10.5%	-	-	-	-	-	-	-		
Other Employees											
Increment	Yes(a)(d)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
General adjustment (COLA)	3.0%	2.0%	2.0%	3.0%	-	-	2.25%	3.0%	3.0%		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		

(a) Salary increments average between 4.6% and 5.0%. Because not everyone receives an increment or longevity increase, the countywide average is approximately 1.8%.
(b) FOP members receive an increment adjustment annually for steps 1-5, then receive an increment adjustment at steps 10, 15, 19, 24, and 29.
(c) IAFF members receive an increment adjustment annually for steps 1-7, then receive an increment adjustment at steps 10, 15, 19, 24, and 29.
(d) Non-represented employees receive an increment adjustment at steps 1-5, then receive an increment adjustment at steps 10, 15, 20, 25, and 30.
(e) Additional entry level step 4.5% for junior police officers.
(f) 4% COLA plus additional step added to scale of 4.5%.
(g) No COLA, but conceded premium pay in order to purchase a 5% midyear increase.
(h) &2,500 increase on 1/1/04 and 13th year longevity step
(i) $1,100 increase on 7/1/04 and $1,100 increase on 6/30/05
(j) $2,000 increase on 1/1/06 and 11th year longevity (equivalent to 6.3%).
(k) $1,900 increase on 7/1/05 and additional holiday pay (equivalent to 3.6%).
(l) 3% increase on 1/1/07 and Ranks except the beginning Police Officer rank (2 year probationary period) receives one grade increase of 4.5% on 7/1/06.
(m) 3% increase on 7/1/06 and Ranks of Lieutenant and above receive on grade increase of 4.5%. Also, add 21 year longevity step increase.

(91)

FAIRFAX COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Police											
Increment (a)	Yes(b)	Yes(b)	Yes(b)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	2.0%	2.0%	2.5%	1.0%	2.67%	2.56%	2.98%	3.07%	4.25%	2.92%	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	1.0%	2.67%	2.56%	2.98%	3.07%	4.25%	2.92%	-
Other: Market rate adjustment	(c)(d)	1.6%(g)	-	-	-	(p)	-	-	(t)		1.48%
Firefighters											
Increment (a)	Yes(b)	Yes(b)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	2.0%	2.0%	2.5%	1.0%	2.67%	2.56%	7.25%	3.07%	4.25%	2.92%	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	2.67%	2.56%	7.25%	3.07%	4.25%	2.92%	-
Other: Market rate adjustment	(e)	(i)	-	(m)(n)	(n)	(p)	(q)	-	2.0%(t)	-	1.48%
Other Employees											
Increment (a)	Yes(b)	Yes(b)	No(j)	No	No	No	No	No	No	No	No
General adjustment (COLA)	2.0%	2.0%	2.5%	1.0%		-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	(r)	(r)	-	-	-
Top of range adjustment	-	-	(k)	3.46%(o)	2.67%(o)	2.56%(o)	2.98%(o)	3.07%(o)	4.25%	-	-
Other: Market rate adjustment	(f)	1.6%(h)	(l)	-	-	-	(s)	-	(t)	(u)	-

(a) Approximately 40% of all County employees are eligible for merit increment annually due to 2-3 year hold; effective from FY2002, general (non-public safety) no longer has steps in grades.

(b) Approximately 40% of the work force will receive a 5% increment adjustment and the remaining 60% of the work force is either in a hold period or at the top of the scale. Cost of increments is 1.6% of payroll.

(c) Police Officers I, Police Officers II, Police Officer II employees receiving "Master Police Officer" proficiency pay, Police Sergeants and Police Second Lieutenants no longer will receive "roll call" pay consisting of one-half hour of protected overtime for every day worked. Instead, the roll call function will be incorporated into the standard day. The funds budgeted for police roll call pay (at 1.8% of the hourly rate, instead of the current 1.5%) will be used instead to increase the base pay of Police Officers I through Police Second Lieutenant by 8.5%. Deputy Sheriffs working roll call will continue to receive roll call pay of one-half hour of protected overtime for every day worked. As of July 4, 1998, it will be compensated at 1.8% of the hourly rate, instead of 1.5%.

(d) The shift differential for all police officers will double, from 25¢ to 50¢ an hour for the evening shift and from 35¢ to 70¢ an hour for the night shift.

(e) Firefighters and Fire Technicians will be regraded one grade (approximately 5.0%). Fire Technician employees receiving "Master Firefighter" proficiency pay also will receive a pay increase of approximately 5.0%.

(f) The Chief, Special Services Division in the Department of Consumer Affairs class and the Supervising Public Health Nurse class will be regraded one grade.

(g) Police Officer I through Police Captain will receive 3.2% in addition to COLA and Market Rate Adjustment, for a total of 6.8%.

(h) \$1.1 million has been approved for an adjustment to Deputy Sheriff's salaries, distribution to be determined; \$875,000 has been approved for Information Technology reclassifications.

92

(i) Firefighter through Fire Captain will be regraded on a new pay plan for a 5% adjustment, and will receive the 2% COLA, but will not receive the 1.6% market rate adjustment. Battalion Chief through Assistant Fire Chief will move to the new pay plan with no change in pay, but will receive the 2% COLA and the 1.6% market rate adjustment. Shift differential for uniformed fire employees working a 24-hour shift will increase $.10 an hour, to $.2875.
(j) Effective July 1, 2000, hold steps are eliminated, County moves to an open-range pay system for all employees except Public Safety uniformed, general County employees will be eligible for performance based increments of 0, 3, 5 or 7%.
(k) Effective July 1, 2000, general County employees at the top of their scale will be eligible for performance based bonus of 0, 3, or 5%.
(l) Approximately 512 classes out of 670 will be regraded one or more grades; employees 1 grade below market get 2% increase, those 2 or more grades below market get 4% increase.
(m) For FY2002 only, 2% pay raise to all fire uniformed classes at lieutenant and above, effective July 14, 2001; 4% pay raise to all fire uniformed classes effective 4/6/2002.
(n) Shift differential increases for police officers to $0.55 per hour for evening shift and $0.75 per hour for overnight shift; firefighter shift differential increases to 40.75 cents for all hours worked on a 24 hour shift; general county employees shift differential increases to $0.40 per hour for evening shift and $0.55 per hour for overnight shift. From FY02, increase for firefighters changed to $0.7275 per hour for all hours regardless of shift.
(o) Effective July 1, 2001, general county employees at the top of their scale will be eligible for performance based bonus from 2% to 7% based on performance at .5% increments: 2.0%, 2.5%, 3.0%, etc.
(p) Shift Differential Increases effective FY2004: Police: $.65 evening shift, $.90 night shift; Fire: $.7275 all shifts; General County Employees: $.65 evening shift, $.90 night shift.
(q) Increases were effective as: 2.5% July 2004, 2.5% January 2005, 2.25% April 2005.
(r) Lump sum increases provided to those employees who are at the top of their salary ranges and who achieve a certain level of performance rating.
(s) Average performance rating increase – 4.2%
(t) Market rate adjustment of 4.25% for all. In addition, Fire receives an additional 2%. All is still pending Board Approval.
(u) Market rate adjustment of 2.92% - structure adjustment only for general employees. All is still pending Board Approval.

93

FREDERICK COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Police (Subject to Collective Bargaining)											
Increment	-	Yes	Yes	Yes	Yes(e)	Yes(e)	No	Yes(e)	Yes(e)	(g)	(j)
General adjustment (COLA)	(a)	2.0%	2.5%	2.0%	1.0%	2.0%	(d)	3.0%	2.0%	(g)	(j)
Lump-sum payment	-	(b)	-	-	-	-	(f)	(f)	(f)	(g)	(j)
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Fire											
Increment	Yes	Yes	Yes	Yes	Yes(e)	Yes(e)	No	Yes(e)	Yes(e)	Yes(e)	Yes(e)
General adjustment (COLA)	2.0%	2.0%	2.5%	2.0%	1.0%	2.0%	(d)	3.0%	2.0%	2.0%(k)	0.0%
Lump-sum payment	-	(b)	-	-	-	-	(f)	(f)	(f)	(f)	(i)
Top of range adjustment	-	(c)	-	-	-	-	-	-	-	-	-
Other Employees											
Increment	Yes	Yes	Yes	Yes	Yes(e)	Yes(e)	No	Yes(e)	Yes(e)	Yes(e)	Yes(e)
General adjustment (COLA)	2.0%	2.0%	2.5%	2.0%	1.0%	2.0%	(d)	3.0%	2.0%	2.0%(k)	0.0%
Lump-sum payment	-	(b)	-	-	-	-	(f)	(f)	(f)	(f)	(i)
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

(a) For FY99, sworn law enforcement officers and correctional positions received a special salary compensation plan, which did not include a step increase or COLA. This new separate pay scale includes salary increases which range from 5% to 36% for the law enforcement personnel, with 22% being the average increase. For the correctional employees, salary increases range from 2% to 52%, with 15.5% being the average increase.
(b) All County employees grade 6 and below received a one time bonus of $500.
(c) Fire and Rescue employees received a one grade pay increase.
(d) All employees received a 1.5% COLA, plus full-time employees received a $400 COLA, part-time employees received a $200 COLA.
(e) Step increases have been replaced by merit raises, which are calculated at 3.5% of the midpoint of the grade range.
(f) Pay for performance, based on a performance evaluation, was received in FY05 and is budgeted for in FY06. This consists of a lump sum bonus of $500 - $1,200 for employees determined to be exceeding the base requirements of their positions.
(g) For FY08, sworn law enforcement officers and correctional positions on pay scale based on collective bargaining. COLA and Pay for Performance not added as part of agreement.
(h) Collective Bargaining being considered for FY08 but has not happened to date.
(i) For FY2009, Pay for Performance, based on a performance evaluation, consists of a lump sum bonus of $250 - $600 for employees determined to be exceeding the base requirements of their positions.
(j) See (g), however, FY2009 is currently being negotiated.
(k) All employees received a 2.0% COLA, plus full-time employees received a $400 fixed COLA, part-time employees received a $200 fixed COLA.

Please note that each year, on a three year cycle, one or more employee groups are evaluated for reclassification of their pay scales for market adjustments. Not all positions within a group are adjusted; it depends upon the market for each position.

94

HOWARD COUNTY GOVERNMENT
(Compensation subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Police											
Increment	2.5%	No(b)	2.5%	3.05%	3.05%	3.5%	3.5 %	3.5 %	3.5 %	3.5%	3.5%
General adjustment (COLA)	2.0%	-	3.6%	3.9%	-	(f)	(g)	3%(h)	3%(j)	5.0%	5.0%
Lump-sum payment	-	-	-	-	(e)	-	-	-	-	-	-
Top of range adjustment	-	(b)	-	-	-	-	-	-	-	-	(m)
Firefighters											
Increment	3.0%(a)	3.0%	Info Not Available	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
General adjustment (COLA)	2.0%	3.4%		3.8%	-	(f)	(g)	(i)	(k)	6.0%	6.0%
Lump-sum payment	-	-		-	(e)	-	-	-	-	$250	$250
Top of range adjustment	-	(c)		-	-	-	-	-	-	-	-
General Schedule											
Increment	3.0%(a)	3.0%	3.0%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05	3.05%
General adjustment (COLA)	2.0%(a)	3.1%	3.6%	3.8%	-	(f)	(g)	3%(h)	3.0%(j)	3.0%	(n)
Lump-sum payment	-	-	-	-	(e)	-	-	-	-	-	-
Top of range adjustment	-	(c)	-	-	-	-	-	-	(l)	-	-
Others (Service/Labor/Trades)											
Increment	2.5%	2.5%	2.5%	2.5%	3.05%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
General adjustment (COLA)	1.5%	3.4%	3.6%	3.8%	-	(f)	(g)	3%(h)	3%(j)	3.0%	3.0%
Lump-sum payment	-	-	-	-	(e)	-	-	-	-	-	-
Top of range adjustment	-	(d)	-	-	-	-	-	-	-	-	-

(a) These units joined the County's revised classification system and were not eligible for a step increase each year, but were eligible for a non-base performance pay increase as high as 3.0% of an employee's salary. Correction Officers also joined this new system.
(b) Restructured pay scale, an average adjustment of 15%.
(c) Three steps (3.0% each) added to the scale.
(d) Added one 2.5% step to the scale.
(e) Employees not eligible for step increases, or whose increases had a cash value of less than $500, received a lump-sum payment of up to $500.
(f) 2% effective July, 2003 and 2% effective May, 2004.
(g) 2% effective July, 2004 and 1% effective June, 2005.
(h) Effective July, 2005.
(i) 3% effective July, 2005 and 1% effective January, 2006.
(j) Effective July, 2006.
(k) 3% effective July, 2006, and 1% effective January, 2007.
(l) 3 (2 year) steps added to top of range.
(m) 3.25% longevity to be added on 7/1/08 for Sergeants & 1/1/09 for Police Union.
(n) To be announced 4/22/08.

95

PRINCE GEORGE'S COUNTY GOVERNMENT
(Compensation subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Police (sworn)											
Increment	3.5%	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	(r)	(r)
General adjustment (COLA)	2.5%(b)	2.0%	2.5%(e)	4.7%(g)	3.5%	2.0%	2.0%(n)	3.0%	3.0%		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	2.5-3.5%	2.5-3.5%		
Fire (sworn)											
Increment	3.5%	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	(r)	(r)
General adjustment (COLA)	2.5%(b)	1.5%(d)	3.0%(e)	3.0%(g)	3.0%	2.0%(m)	2.0%(n)	3.0%	3.0%		
Lump-sum payment	-	-	-	$750(h)	$750(h)	$1,035	$1,070	$1,070(q)	$1,070(q)		
Top of range adjustment	-	-	-	-	-	-	-	2.5%	2.5%		
General Schedule											
Increment	3.5%	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	(r)
General adjustment (COLA)	2.75%(c)	2.5%(d)	2.75%	3.0%	3.0%	1.5%	1.5%	2.5%	2.5%	2.5%	
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	
Others											
Increment	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	(r)	(r)
General adjustment (COLA)	2-2.75%(c)	1.5-2.5%(e)	2-3%(d)	0-3%(i)	0-3%(i)	2-3%(o)	2-3.0%(o)	2.5-3%	2.5-3%		
Lump-sum payment	-	$200(f)	-	$0-$650(j)	$0-$650(j)	-	-	$0-$1,200	$0-$1,250		
Top of range adjustment	-	-	-	(k)	(k)	-	-	2.5-3.5%	2.5-3.5%		

(a) As a general rule, merit increases are valued at 3.5%. In some pay scales, longevity steps may be valued at 2.5% or 3.0%. For fire sworn unit members, completion of five years of service can receive 4.5% merit
(b) 2.5% COLA effective 1/99 for uniformed personnel.
(c) The COLA was effective July 1, 1998.
(d) May be less than full year.
(e) Total amount. Will be phased in: 1.5% effective 7/1/00; 1.0% effective 1/1/01.
(f) New AFSCME local for Health Department employees.
(g) COLA varies based on pay step, ranging from a 10.0% adjustment to entry rates to a 2.28% adjustment to maximum rates. 4.7% represents a weighted average based on the distribution of current employees among steps on the pay scale.
(h) $750 to be provided in January 2002 and January 2003.
(i) All bargaining groups received a COLA of at least 2% except the crossing guards, who negotiated $400/year increases. Timing of COLA varies from group to group.
(j) In addition to the crossing guards receiving a flat dollar increase, some bargaining groups negotiated a flat dollar increase in addition to a COLA. Timing varies from group to group.
(k) Some bargaining groups negotiated at least one additional longevity step added at the top of their pay structure.
(l) All of the County's collection bargaining agreements expire June 30, 2003. No successor agreements have been negotiated at this time.
(m) Total amount: Will be phased in: 1.0% effective 7/1/03; 1.0% effective 2/1/04.
(n) Total amount: Will be phased in: 1.0% effective 7/1/04; 1.0% effective 2/1/05.
(o) Various groups will receive COLA's in the range of 2-3%. These COLA's will be phased in: 1.0% effective 7/1/04; 1.0% effective 1/1/05; 1.0% effective 4/1/05.
(p) COLA is issued 7/10/04.

96

(q) Clothing allowance is paid in one installment in July of each fiscal year. Other major lump-sum pay include FTO (Field Training Officer) compensation ($750 per year); Training Certification Pay ($25 to $100 per pay period for FY06 and $45 to $120 per pay period for *FY07, with hiring date of 1/1/1999 as the dividing date*); Technical Rescue Team (up to $4,050 per year with $1,350 for each specialty discipline); County certified paramedics ($1,040 per year) for serving as FTO for 1,440 hours during a fiscal year (pay will be pro-rated if hours are below or above 1,440 hours); Fire Investigator qualified by the Maryland State Police Training Commission ($1,350 per year) with 54 hours of training. Other major special duty pay include but not limited to: (1) Bomb Technicians or Paramedics are compensated at a rate 9% per hour above their regular base pay, with Fire Fighters/Paramedics who are certified as EMT-P receiving an additional 2% base pay increase; (2) effectively July 1, 2006, employees hired on or after 3/29/1999 who are County certified EMT-Paramedics are compensated at the rate of 10% above their regular base pay.

(r) The collective bargaining agreements have not yet been approved by the County Council.

ALEXANDRIA CITY PUBLIC SCHOOLS
(Compensation not subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Teachers											
Increment	-	Yes (a)	Yes (a)	Yes (a)	Yes(a)	Yes(d)	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	-	2%	2.5%	3.0%	2.5%	2.25%	2.0% (e)	3.32%(h)			1.0%
Lump-sum payment	-	-	-	-	-	-	-	3.0%(i)			-
Top of range adjustment	(b)	-	-	-	2.3%	-	-	-			2.0%(j)
Administrative and Supervisory Personnel											
Increment	-	Yes (a)	Yes (a)	Yes (a)	Yes(a)	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	-	2%	2%	3.0%	2.5%	2.25%	2.0% (e)	3.8%			1.0%
Lump-sum payment	-	-	-	-	-	-	-	3.0%(i)			-
Other	(b)	-	-	-	2.3%	-	(f)	-			2.0%(j)
Supporting Services Employees											
Increment	-	Yes (a)	Yes (a)	Yes (a)	Yes(a)	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	-	2%	2%	3.0%	2.5%	2.25%	2.0% (e)	3.0%			1.0%
Lump-sum payment	-	-	-	-	-	-	-	3.0%(i)			-
Top of range adjustment	(b)	-	-	-	2.3%	-	(g)	-			2.0%(j)

(a) Each salary scale has a different increment adjustment; 2.75% is the weighted average for the school system.
(b) The School Board has approved paying the employees' share of the contribution to the Virginia Retirement System (5%) as of November 1, 1998.
(c) Institution of a new Single Lane Salary Scale with premiums for a Masters Degree or Masters Degree +30. Employees will be moved up on the present salary scales then moved to the closest step on the new salary scale with a hold harmless adjustment for one year.
(d) Institution of a new Single Lane Salary Scale with premiums for a Masters Degree or Masters Degree +30. Employees will be moved up on the present salary scales then moved to the closest step on the new salary scale with a hold harmless adjustment for one year.
(e) The City Managers Proposed budget includes a 2.0% COLA for all employees. This could change during the city budget process.
(f) The FY 2004 budget included a realignment of the Administrative Salary Scales. The new scale has not yet been approved, however, it will be applied retroactive to July 1, 2003.
(g) The Schools approved budget sets aside an amount to realign the Support Staff Salary Scales. This study is now in progress and should be completed in time for implementation at July 1, 2004.
(h) The Schools approved budget sets aside an amount to re benchmark teacher salaries. This could be reduced if the City Council reduces the schools budget.
(i) The City Managers Proposed budget includes a 3.0% COLA for all employees. This could change during the city budget process.
(j) The 2.0% adjustment is a proposed longevity adjustment; an employee must be topped out for two years to receive this adjustment.

98

ANNE ARUNDEL COUNTY PUBLIC SCHOOLS
(Compensation subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Teachers											
Increment	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	-	-	-	-	-	-
General adjustment (COLA)	-	3.0%	5.0%	5.0%	2.0%(a)	1.0%	3.0%	4.0%	6.0%	6.0%	6.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Administration											
Increment	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	-	-	-	-	-	-
General adjustment (COLA)	-	3.0%	2.0%	4.0%	2.0%(a)	1.0%	2.0%	3.0%	6.0%	6.0%	8.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
AFSCME											
Increment	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	-	-	-	-	-	-
General adjustment (COLA)	-	3.0%	2.0%	4.0%	2.0%(a)	1.0%	3.0%	3.0%	3.0%	3.0%	4.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Secretaries and Teachers Assistants											
Increment	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	-	-	-	-	-	-
General adjustment (COLA)	-	3.0%	2.0%	4.0%	2.0%(a)	1.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

(a) 2.0% COLA effective mid-year, which is 1/1/2003 for 12-month employees and 2/5/2003 for 10-month employees.

99

ARLINGTON COUNTY PUBLIC SCHOOLS
(Compensation not subject to collective bargaining)

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY07	FY08	Proposed FY09
Teachers											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
General adjustment (COLA)	1.5%	1.5%	3.0%	3.0%	(h)	2.0%	2.0%	8.1%	3.0%	2.0%	2.2%
Lump-sum payment	-	-	(c)(d)	(g)	(g)	(j)	(m)	(n)	-	-	(p)
Top of range adjustment	-	-	(e)	-	-	-	-	-	-	-	-
Administrative and Supervisory Personnel											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	1.5%	1.5%	3.0%	3.0%	2.5%	2.0%	2.0%	3.0%	3.0%	2.0%	2.2%
Lump-sum payment	-	-	(c)(d)	(g)	(i)	(j)	(m)	(n)	-	-	(p)
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Supporting Services Employees											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	1.5%	1.5%(b)	3.0%	3.0%	2.5%	2.0%	2.0%	3.0%	3.0%	2.0%(o)	2.2%
Lump-sum payment	-	-	(c)(d)	(g)	(g)	(k)(l)	(m)	(n)	-	-	(p)
Top of range adjustment	(a)	-	(f)	-	-	-	-	-	-	-	-

(a) As a result of support service classification and compensation, the School Board adopted a single service support pay plan effective 4/13/98. Estimated cost of moving employees from current 7 pay plans to new single pay plan is 1% of payroll.
(b) Effective July 1, 1999, the School Board will match up to $260.00 of employee contribution to tax sheltered annuity for Trades and Custodial employees (includes school bus drivers and cafeteria workers).
(c) Effective January 1, 2001, the school system will pick up half (2.5% of 5.0%) of the employees' contribution to the Virginia Retirement System.
(d) Effective January 1, 2001, the School Board will match up to $390.00 of employees' contributions to tax sheltered annuities.
(e) Effective in FY 2001, steps 1 and 2 of the teacher pay plan will increase: 7% at step 1 and 3.4% at step 2.
(f) Effective June 30, 2001, the school system will pay retention stipends to school bus drivers. Stipends range from 0.5% to 6.0% of pay.
(g) Effective January 1, 2002, the school system will pay an additional 1.5% of the employees' contributions to the Virginia Retirement System (school system will pay 4.0% and employee will pay 1.0%).
(h) Teacher pay plan revised. MA, step 1, salary set at $40,000; depending on the lane and step, increase ranged from 5.2% to 5.7%. Work year increased from 190 to 194 assigned days.
(i) As a result of Compensation Study, pay scale was increased by 7.0% at grade 1, step A, and revised to provide 4.0% step increases and 5.0% grade level increases. Employees will be placed on the new pay scale based on their current salary (not current step).
(j) Effective January 1, 2004, the school system will pay the full 5.0% employees contribution to the Virginia Retirement System.
(k) In addition to the 2.0% COLA, the support service salary schedule will be increased by an additional 4.0%.
(l) The school system will adopt a "living wage" for school system employees. Employees hired at steps of the pay plan that are less than the approved "living wage" will have their hourly rates adjusted. The amount of the living wage was set at $10.98 per hour.
(m) Effective July 1, 2004, school system will match $390.00 or 1.0% of base pay (whichever is higher) of employees' contributions to tax sheltered annuities.
(n) Effective July 1, 2005, school system will match up to 2.25% of base pay of employees' contributions to tax sheltered annuities for employees with 24 or more years of service with the school system and who are not covered by the local supplemental defined benefit retirement system.
(o) 3/07 - APS is currently conducting a salary survey study that may affect base pay rates for certain support staff positions.
(p) Proposed .6% increase in 403(b) match totaling 2.3%.

BALTIMORE COUNTY PUBLIC SCHOOLS
(Compensation subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Teachers											
Increment	1.0%(a)	-	2.7%	1.7%	2.7%	1.8%	1.7%	1.7%	1.7%		
General adjustment (COLA)	3.0%	-	3.0%(d)	5.2%	0	5%	-	4%	5%		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
Other	-	(b)	(e)	-	-	-	(i)	-	-		
School Based Administrators											
Increment	1.0%(a)	-	.8%	.07%	.07%	.13%	1.9%	1.8%	1.9%		
General adjustment (COLA)	3.0%	-	2.0%	3.0%	0	3%	-	3%	4%		
Lump-sum payment	$1000	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
Other	-	(c)	(f)	(f)	-	-	(i)	-	-		
Non-School Based Administrators											
Increment	1.0%(a)	-	-	1.9%	1.8%	1.7%	1.3%	1.8%	1.2%		
General adjustment (COLA)	3.0%	-	2.0%	3.0%	0	3%	-	3%	4%		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
Other	-	(c)	-	-	-	(g)	(i)	-	(j)		
Support Staff											
Increment	1.0%(a)	-	1.8%	1.8%	2.1%	1.7%	1.6%	1.6%	1.7%		
General adjustment (COLA)	3.0%	2.0%	2.0%	3.0%	0	3%	-	3%	4%		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	(h)	(i)	-	-		

(a) Weighted average.
(b) Salary restructuring with increases from 2% to 6.7%. No COLA.
(c) Salary restructuring from 3.7% to 5.2%. No COLA.
(d) Includes 1.0% from Governor.
(e) 2.3% restructuring.
(f) 4.5% for principals.
(g) Restructuring non-school based administrators - $400,000.
(h) A two-year phase-in of reclassifications for bus drivers and grounds men - $600,000, and school-based clericals - $550,000.
(i) 4% compensation restructuring.
(j) Executive Cabinet proposed at 5%.

(101)

FAIRFAX COUNTY PUBLIC SCHOOLS
(Compensation not subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Teachers											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	2.0%	2.0%(c)	5.0%(d)	3.0%	2.0%	2.0%	3.0%	3.0%	3.0%	2.0%	3.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	1.5%(b)	-	-	-	-	-	-	-	-	-
Other	(a)	-	-	2.0% longevity	-	1%(e)	Reduce contract 1 day	1.4%(g)	0.40%(h)	0.40%	-
School Based Administrators											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	2.0%	2.0%	5.0%	3.0%	2.0%	2.0%	2.0%	3.0%	3.0%	2.0%	3.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	1.21%	2.5%	-	-	2.5%(f)	-	-	-	-	-
Other	-	-	-	-	-	-	Regrade principals	-	-	-	-
Non-School Based Administrators											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	2.0%	2.0%	5.0%	3.0%	2.0%	2.0%	2.0%	3.0%	3.0%	2.0%	3.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	1.21%	2.5%	-	-	2.5%(f)	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Support Staff											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	2.0%	2.0%	5.0%	3.0%	2.0%	2.0%	2.0%	3.0%	3.0%	2.0%	3.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	1.21%	2.5%	-	-	2.5%(f)	-	-	-	-	-

(a) Effective May 1, 1999, teachers hired before FY 92 will receive an extra step increment.
(b) Change one longevity step worth 2.5% to two longevity steps worth 2.0% each.
(c) In addition, instructional assistant's scale was raised from equaling 50% of the basic teacher scale to 50.5%, which amounted to an extra 1.0% increase.
(d) In addition, instructional assistant's scale was raised from equaling 50.5% of basic teacher scale to 51.0%, which amounted to an extra 1.0% increase.
(e) Two additional contract days added, equivalent to 1% increase.
(f) Additional step prior to longevity step added at 2.5%.
(g) Average additional 1.4% associated with raising entry hiring rate to $40,000.
(h) 0.4% average increase for scale restructuring.

102

FREDERICK COUNTY PUBLIC SCHOOLS
(Compensation subject to collective bargaining only for teachers and supporting services employees units)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Teachers											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	4.0%	3.0%	5.89%(a)	5.0%	1.5%	4.0%	(e)	3.0%	4.5%	4.5%(h)	TBD
Lump-sum payment	-	-	-	-	-	-	-	-	-	(i)(k)(l)	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Other										(j)	
Superintendents and Executive Directors											
Increment	Yes	No	No	No	No	No	No	No	No	No	No
General adjustment (COLA)	4.0%	6.0%	(b)	(c)	1.5%	6.0%	(f)	6.0%	8.0%	8.0%	TBD
Lump-sum payment	-	-	-	(d)	(d)	(d)	-	-	-	(d)(l)	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Administrative and Supervisory Personnel											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	4.0%	3.0%	6.0%	5.0%	1.5%	4.0%	(e)	3.0%	4.5%	4.5%(h)	TBD
Lump-sum payment	-	-	-	-	-	-	-	-	-	(l)	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Supporting Services Employees											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	4.0%	3.0%	6.0%	4.0%	1.5%	4.0%	2.0%	3.0%(e)	4.4%(g)	4.5%(h)	TBD
Lump-sum payment	-	-	-	-	-	-	-	-	-	(l)	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

(a) Teachers also received other *concessions in bargaining* process. Eleven-month scale created for Athletic Directors; 11 and 12-month scales for teachers.
(b) Superintendent received 5.0%; Executive Directors are set individually but received close to 6.0%.
(c) Superintendent will receive 5%; Executive Directors will receive 6%.
(d) Superintendent received lump sum payment in addition to the base salary.
(e) Pay scales revised.
(f) New Superintendent; Executive Directors received 4%.
(g) Support Employee negotiations created shift differentials for second and third shifts
(h) Proposed Budget – Pending the results of negotiations.
(i) Negotiations resulted in the following:
Stipend increased from $1,000 to $2,000 for teachers, guidance counselors and speech language pathologists who earn national certification.
Hourly rate for Workshop Attendees and Presenters increased to $25 and $35 respectively.
Hourly rate for Presenters of MSDE approved workshops and classes increased to $49.
Activity Pay compensation rates increased 4.5%.
(j) 10-month teacher work year increased to 190 days.
(k) One time lump sum payments of $3,000 were approved for *teachers accepting* positions in areas that the Board of Education has deemed "Critical Need".

103

(l) One time lump sum payments of $500 were approved for benefited employees who are employed for the entire year and use less than 3 days of sick leave FY2008.

104

HOWARD COUNTY PUBLIC SCHOOLS
(Compensation subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Teachers											
Increment	Yes	Yes	Yes	Yes	Yes(i)	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	2.5%	3.0%	6.0%(g)	6.0%(g)	0.0%	4.0%	6.0%	3.0%	3.5%	5.0%	5.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	Yes(d)	-	-	-	-	-	-	-	-	-
Other	-	(e)	-	-	-	-	-	-	-	-	-
Principals											
Increment	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	2.5%	3.0%	5.0%	6.0%	3.0%	4.0%	6.0%	3.0%	3.5%	5.0%	4.75%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	(f)	New Step 11	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Admin/Mgmt/Tech											
Increment	Yes(a)	Yes	Yes	No	No	Yes	Yes	Yes	Yes	No	No
General adjustment (COLA)	2.5%	3.0%	5.0%	6.0%	3.0%	6.0%	6.0%	3.0%	3.5%	5.0%	5.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Educational Support											
Increment	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	(b)	3.0%	5.0%(h)	5.0%(h)	3.0%	4.0%	6.0%	3.0%	3.5%	5.0%	5.0%
Lump-sum payment	-	-	-	-	-	Lower steps received larger amounts	Lower steps received larger amounts	-	-	-	-
Top of range adjustment	-	-	-	-	-			-	-	-	-
Other	-	-	-	-	-			-	-	-	-
AFSCME											
Increment	(c)	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	2.5%	3.0%	5.0%(h)	5.0%(h)	3.0%	4.0%	6.0%	3.0%	3.5%	5.0%	5.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-

(a) Merit pay pool of approximately 3.0%.
(b) Pay scale adjusted so that all increments equal 5.0%.
(c) Adjustment to pay scale decreasing the number of steps.
(d) Step 21-25.

105

(e) Improved step 2-4.
(f) New step 10 increased 2.5%.
(g) Additional 1.0% from the State.
(h) 6.0% for employees not receiving increment (i.e., at top of scale).
(i) Increment plus adjustments to frozen steps equates to 3.0%.

106

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
(Compensation subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
Teachers											
Increment	Yes	Yes	-	Yes	Yes	Yes	Yes	Yes	(f)		
General adjustment (COLA)	3.0%	2.0%	(b)	5.0%	-	2.0%(c)	2.0%(d)	3.0%	-	TBD	
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
Principals and Supervisors											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	(g)		
General adjustment (COLA)	2.0%	2.0%	3.0%	4.0%	4.0%	2.0%(c)	2.0%(d)	3.0%	-	TBD	
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
General Support Staff											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	(f)		
General adjustment (COLA)	3.0%	2.0%(a)	2.0%	4.0%	4.0%	2.0%(c)	2.0%(d)	3.0%	-	TBD	
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
Other Support Staff (Custodians)											
Increment	Yes	Yes	-	Yes	Yes	Yes	Yes	Yes			
General adjustment (COLA)	1.0%	2.0%	(b)	4.0%	3.0%	2.0%(c)	2.0%(d)	2.0%(e)	3% on 7/2006 and 1% on 1/2007.	TBD	
Lump-sum payment	-	-	-	-	-	-	-	-			
Top of range adjustment	-	-	-	-	-	-	-	-			

(a) COLA delayed until 11/1/99.
(b) Several negotiating sessions have been conducted. As of 7/3/00 a settlement has not been reached.
(c) Retrospective to 10-18-03 increment July 1, 2003.
(d) 2% effective 7-1-04; additional 1% effective 1-8-05
(e) 2% effective 7-1-05; additional 1% effective 1-6-06.
(f) Not yet at table.
(g) Several negotiating sessions have been conducted. No agreement to date.

107

STATE OF MARYLAND
(Compensation subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
All Employees											
Increment	Yes(a)(b)	Yes(f)	Yes(k)	Yes(k)	-	(r)	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	3.0%(c)(d)	2.6%(g)	4.0%(l)	4.0%(o)	-	(r)	$752	1.5%	2.0%(s)	2.0%	2.0%
Lump-sum payment	$300(e)	(h)(i)(j)	Yes(m)	Yes(m)	(q)	(r)	-	-	Yes(t)	-	-
Top of range adjustment	-	-	Yes(n)	Yes(q)	-	(r)	-	-	Yes(u)	-	-

(a) 2.0% increment adjustment is the weighted average for the state. Increment adjustments ranged from 2.0% - 6.0% depending on step in pay grade. Only about 40% of employees are eligible for an adjustment.
(b) State Police, natural resources police, and park rangers receive a 4.0% increment adjustment.
(c) FY 99 COLA is actually a flat $1,275 per position increase, averaging 3.5% statewide. $900 was allocated on July 1, 1998 and $375 on January 1, 1999.
(d) Maryland judges received an $11,275 increase adjustment, consistent with the recommendations of the Judicial Compensation Commission.
(e) An estimated 8,800 (20%) of 44,000 eligible employees received a one-time $300 bonus in recognition of outstanding performance.
(f) A new standard pay plan for 44,000 positions is proposed for FY00 based on 22 grades and 16 steps, replacing the current 22 grades and 6 steps. Increments consist of 4% increases for positions rising to steps 1-5 and 2% for positions rising to steps 6-16. Increments are not automatic, but will be based on performance. An estimated 98% of employees will qualify for increments. For FY00, approximately 20% of these employees will receive 4% increments and 80% will receive 2% increments.
(g) FY00 general salary increase is actually a flat $1,275 per person, averaging 3.5% statewide. However, the FY00 take home amount is only $957 per person, averaging 2.6%, because the increase is phased in as $638 on 7/1/99 and $637 on 1/1/00.
(h) Implementation of a new standard pay plan for FY00 will require one-time adjustments to employee salaries ranging between $5 and $2,006 per position. The total cost of this adjustment is $11 million, averaging $257 per position.
(i) An estimated 9,680 (22%) of 44,000 eligible employees will receive a one-time $1,000 bonus in recognition of outstanding performance.
(j) An estimated 15,400 (35%) of 44,000 eligible employees will receive a one-time $500 bonus in recognition of performance exceeding standards.
(k) Starting FY01, approximately 35,000 State employees are represented by a labor organization. Many of them are paid on the standard salary schedule. However, those employees not represented by a labor organization who are paid on the standard or a similar salary schedule receive the same increments as those who are represented by a labor organization. Some employees not subject to collective bargaining who are not paid on the standard or a similar salary schedule receive merit increases in addition to the general salary adjustment.
(l) This 4% COLA increase was implemented on November 15, 2000.
(m) In fiscal 2000, an estimated 15% of those eligible for performance bonuses received a lump-sum payment of $1,000 for a rating of "outstanding;" approximately 34% were paid $500 for a rating of "exceeds standards." In fiscal 2001, the corresponding rates were 16% and 36%.
(n) A new executive pay plan (EPP) and an expanded standard salary schedule were proposed for FY01. The EPP provides three fewer salary grades and utilizes salary ranges with 29.2% bandwidths. Maximum salaries are roughly $6,000 higher than they were at the top of the grade. The expanded standard schedule provides 4 additional salary grades, primarily to provide slots for managerial employees formerly improperly placed on the executive salary schedule.
(o) This 4% COLA, or "general salary increase," was implemented on January 1, 2002.
(p) In fiscal 2002, two steps were added to the top of the salary schedule, making a total of 18 steps, and the first grade of 26 grades became obsolete and is no longer used. The maximum pay on the executive pay plan, for each grade, is 8% higher in fiscal 2002 (on January 1, 2002) than it was a year previous (on January 1, 2001).
(q) In FY03, lump-sum payments were to be awarded if the Board of Public Works determined that they were affordable. They were not determined to be affordable, as a result, there were no pay increases in FY03 although they were in the recommended budget.
(r) No salary enhancements were budgeted in FY04. The only enhancement allowed - if agency budgets can accommodate - is a reclassification (promotion).
(s) General salary increases will be $900 for employees making a base salary of less than a $45,000 per year on an annualized basis, $1,400 for employees making a base salary more than $70,000 per year on an annualized basis, and 2 percent for the rest of the workforce. Approximately 87 percent of the workforce will receive 2 percent or more.

108

(t) Performance bonuses for Correctional Officer II, Sergeant, Lieutenant, Captain, and Major positions ($500) in the Division of Correction and for nurses in the Department of Health and Mental Hygiene ($3,000) are newly funded in fiscal 2007. These bonuses are awarded for fewer than 5 unscheduled absences over a 12-month period.

(u) Two steps have been added to the top of the standard salary schedule and one step has been added to the physicians' salary schedule.

109

FEDERAL GOVERNMENT (a)
(Compensation not subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
All Employees											
Increment	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)
General adjustment (f)	3.1%	3.8%	2.7%	3.6%	3.1%	2.7%	2.5%	2.1%	1.7%	2.5%	(g)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	Same	Same	Same	Same	Same	Same	Same	Same	Same	Same	Same
Locality pay (b)	3.68%(c)	4.94%(c)	3.81%(c)	4.77%(c)	4.27%(c)	4.42%(c)	3.71%(c)	3.44%(c)	2.64%(c)	4.49%(c)	(g)

(a) For Federal employees in the Washington Baltimore locality pay area. Data reflect the Federal fiscal year.
(b) Locality pay instituted in FY94.
(c) This is the **cumulative** figure that includes both general adjustments and increases in locality pay.
(d) 1.5% is a rough estimate of the average annual value of General Schedule within grade and quality step increases as a percentage of payroll. The actual average can vary year to year. Some estimation methods indicate the multi-year average may be closer to 1.3%.
(e) Increments awarded annually for advancement to steps 2-4, awarded every 2 years for steps 5-7, and awarded every three years for steps 8-10. Eighteen years to advance from minimum step 1 to maximum step 10.
(f) The federal government uses a cost of labor standard to determine the general adjustment rather than a cost of living standard. This adjustment is not referred to as the COLA.
(g) The President's budget proposed a 2.9% overall average increase for Federal civilian employees. The overall increase will be allocated between an across-the-board increase and locality pay raises.

110

MONTGOMERY COUNTY GOVERNMENT WORKFORCE CHANGE SUMMARY
COUNTY EXECUTIVE RECOMMENDED: FY08

	POSITIONS		WORKYEARS		
	Full Time	Part Time	Tax Supported	Non-Tax Supp.	TOTAL WYs
FY07 APPROVED COMPLEMENT	8,476	1,130	8,203.3	1,308.9	9,512.2
FY08 RECOMMENDED COMPLEMENT	8,981	1,144	8,525.0	1,367.5	9,892.5
CHANGE IN WORKFORCE (GROSS)	505	14	321.7	58.6	380.3
Percentage Change	6.0%	1.2%	3.9%	4.5%	4.0%

Fraternal Order of Police, Lodge 35
Fiscal Impact Summary

Article	Item	Description	FY08	FY09	FY10
2	Administrative Leave	Increase administrative leave for president from 1040 to 1092 hours annually	4,880	4,880	4,880
6	Clothing Allowance	Increase all categories	8,710	17,760	27,080
35	Vehicles	Full implementation of Single Officer Fleet Vehicle program by end of FY09 (35 vehicles including video cameras)	-	1,872,860	296,350
36	Wages	GWA and increments. GWA: $3,151 increase to Step 0, Year 1 of pay plan, maintain existing structure in FY08; 4% July 2008; 4.25% July 2009	9,331,070	14,276,720	18,836,180
39	Tuition Assistance	Increase by $100 each year	15,100	30,200	45,300
41	Shift Differential	Increase afternoon and midnight differential	49,870	92,300	134,730
		Total Fiscal Impact	**9,409,630**	**16,294,720**	**19,344,520**

Montgomery County Volunteer Fire Rescue Association
Fiscal Impact Summary

Article	Item	Description	FY08
12	Winter Coats	Active volunteers issued one winter coat	170,430
13	Nominal Fee	Each June 1st, active volunteers receive either $200 nominal fee or $300 nominal fee if the volunteer achieved the maximum number of LOSAP points for station responses and standby/sleepin and is on the IECS certified list	212,600
Side Letter	MCVFRA	Administrative expenses of MCVFRA	80,250
		Total Fiscal Impact	**463,280**

Municipal and County Government Employees Organization, Local 1994
Fiscal Impact Summary

Appendix	Subject	Description	FY08	FY09	FY10
5	Wages	GWA and increments. GWA: 4.0% July 2007; 4.5% July 2008; 4.5% July 2009	15,208,644	33,487,462	51,766,280
5	Longevity increment	Increase longevity increment by 1% effective January 1, 2008	271,171	542,342	542,342
5	Differentials	Shift differential: Increase evening differential $0.05 in FY08 and FY09; Increase midnight differential $0.05 in FY09; Apply midnight differential to non-ECC Police Public Service Aides working 8 pm to 6 am shift; Increase advanced multilingual differential $0.20 in FY08; Increase field training differential $0.25 in FY08 and FY10	146,240	234,380	245,830
9	Working Conditions	Appeals of classification studies	50,000	50,000	50,000
21	Tuition Assistance	Increase by $100 each year	26,040	52,080	78,130
29	Labor Management Relations Committee	Funding to address departmental issues	100,000	100,000	100,000
32	Tools and Uniforms	Tool Allowance: Increase all categories by $35; Safety Shoes: Increase by $15	15,780	3,640	3,640
34	Health and Safety	Flu vaccinations for all bargaining unit members	8,760	8,760	8,760
36	Union Activities	Increase administrative leave bank for use by SLT and OPT Unit Council representatives by 140 hours and 260 hours respectively	12,500	12,500	12,500
49	Re-Opener	Costs related to re-opener on health benefits and pensions	137,000	0	0
53	Seasonal Employees Wages	Employees on Seasonal Salary Schedule shall receive increases of $0.40 per hour in July 2008, $0.45 per hour in July 2009, and $0.45 per hour in July 2010	265,480	564,140	862,800
App I	Sheriff	Compensatory leave for deputy sheriffs on overnight extraditions	8,890	8,890	8,890
App I	Sheriff	Increase uniform allowance by $75 and shoe allowance by $10	1,580	1,580	1,580
App II	Health and Human Services	School-based health staff to be provided with two additional days at the beginning of the school calendar and expand hours to 7 per day	1,784,790	1,784,790	1,784,790
App IV	Corrections	Retention bonus for Correctional nurses of $800 in FY08, $900 in FY09, and $1,100 in FY10	18,950	21,310	26,050
App IV	Corrections	Increase charge nurse differential to $1.75 per hour	5,000	5,000	5,000
App IV	Corrections	Increase uniform allowance for Correctional nurses to $250	1,100	1,100	1,100
App IV	Corrections	Stipend of $1,200 for Emergency Response Team members	29,710	29,710	29,710
App VI	Transit Services	A 1.5 percent retention increment for Bus Operators after four years completed service and an additional 1.5 percent retention increment after six years of completed service effective January 2008	232,900	465,800	465,800
App VII	Sheriff Salary Schedule	Include Sergeants and add new step for Deputy Sheriff III and Sergeants	96,200	121,350	121,350
App VII	Correctional Officer Salary Schedule	Implement new correctional officer salary schedule	219,480	633,650	633,650
App X	Permitting Services	The County to provide gloves and hats to field personnel	4,500	0	0
App XVII	Rewarding Excellence	Gain sharing implementation costs: Human Resources Specialist, consulting, materials and printing	47,000	209,000	91,700
Side Letter	Program Specialists	Program Specialist classification study	15,000	0	0
Side Letter	Public Libraries	Classification study of the Librarian series	10,000	0	0
Side Letter	Wage Survey	Wage survey of comparable MCPS job titles	50,000	0	0
		Total Fiscal Impact	**$18,766,715**	**$38,337,484**	**$56,839,902**

Labor Agreement Implementation Costs and Other Compensation Changes
Fiscal Impact Summary

		Fiscal Impact FY08	FY09	FY10
Implementation Costs:				
Human Resources and Fire Rescue bargaining support costs for MCVFRA agreement		152,130	146,330	146,330
Mediation/Arbitration costs for MCVFRA bargaining		26,000	0	0
Unrepresented Compensation Changes:				
Unrepresented Employees				
Wages	GWA and increments. GWA: 4.0% July 2007; 4.5% July 2008; 4.5% July 2009	8,861,060	19,307,120	29,753,190
Differentials	Pass-through costs of changes to differentials	20,200	30,800	30,990
Tuition Assistance	Increase $100 each year	7,940	15,880	23,820
Police Management				
Wages	GWA and increments: GWA: 4.0% July 2007 and pass-through of salary schedule change; 4.0% July 2008; 4.25% July 2009	610,850	936,050	1,274,040
	Total Unrepresented Compensation Changes	**$9,678,180**	**$20,436,180**	**$31,228,370**

Estimated Negotiated Salary Cost FY 2008 - FY 2010

	FY 2008	FY 2009	FY 2010
Cola %	4.80%	5.00%	5.30%
MCAASP	$ 4,873,615	$ 5,062,863	$ 5,896,852
MCEA	46,384,133	49,921,985	56,692,285
SEIU	18,642,108	19,663,410	22,738,187
Total Negotiated Salary	**$ 69,899,856**	**$ 74,648,258**	**$ 85,327,323**

Estimated Continuing Salary Cost FY 2008 - FY 2010

	FY 2008	FY 2009	FY 2010
MCAASP	$ 3,058,072	$ 1,260,197	$ 1,299,598
MCEA	15,200,319	12,423,540	12,821,915
SEIU	7,397,196	4,906,736	5,059,471
Total Continuing Salary	**25,655,587**	**18,590,472**	**19,180,984**
Total Cont. and Neg. Salary	**$ 95,555,443**	**$ 93,238,731**	**$ 104,508,307**

MCPS staff explains that the decrease between FY08 and FY09 for continuing salaries is due to the annualization in FY08 of the FY07 mid-year wage adjustment. This one-time annualization creates additional costs for FY08 that are not required for the next year's increase.